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AN INQUIRY
INTO THE
PRINCIPLES
OF
POLITICAL ECONOMY.

BEING AN
ESSAY ON THE SCIENCE
OF
Domestic Policy in Free Nations.

IN WHICH ARE PARTICULARLY CONSIDERED
POPULATION, AGRICULTURE, TRADE,
INDUSTRY, MONEY, COIN, INTEREST,
CIRCULATION, BANKS, EXCHANGE,
PUBLIC CREDIT, AND TAXES.

By Sir JAMES STEUART, Bart.

Ore trahit quodcumque potest atque addit acervo.

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C O N T E N T S

OF THE

S E C O N D V O L U M E.

B O O K I I.

Of Trade and Industry.

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AN INQUIRY.
INTO THE
PRINCIPLES
OF
POLITICAL ECONOMY.

BOOK II.
OF TRADE AND INDUSTRY.

CHAP. XV.

A general View of the Principles to be attended to by a Statesman, who resolves to establish Trade and Industry upon a lasting footing.

THE two preceding chapters I have introduced purposely to serve as a relaxation to the mind, like a farce between the acts of a serious opera. I now return to the place where I broke off my subject, at the end of the twelfth chapter.

It is a great assistance to memory, now and then to assemble our ideas, after certain intervals, in going through an extensive subject. No part of it can be treated of with distinctness, without banishing combinations; and no part of it can be applied to

practice, or adapted to any plan, without attending to combinations almost infinite.

For this reason nothing can appear more inconsistent than the spirit which runs through some parts of this book, if compared with that which prevailed in the first. *There* luxury was looked on with a favorable eye, and every augmentation of superfluity was considered as a method of advancing population. We were then employed in drawing mankind, as it were, out of a state of idleness, in order to increase their numbers, and engage them to cultivate the earth. We had no occasion to divide them into societies having separate interests, because the principles we treated of were common to all. We therefore considered the industrious, who are the providers, and the luxurious, who are the consumers, as children of the same family, and as being under the care of the same father.

We are now engaged in a more complex operation; we represent different societies, animated with a different spirit; some given to industry and frugality, others to dissipation and luxury. This creates separate interests among nations, and every one must be supposed under the government of a statesman; who is wholly taken up in advancing the good of those he governs, though at the expense of other societies which lie round him.

This presents a new idea, and gives birth to new principles. The general society of mankind treated of in the first book, is here in a manner divided into two. The industrious providers are supposed to live in one country, the luxurious consumers in

another. The principles of the first book remain here in full vigor. Luxury still tends as much as ever to the advancement of industry; the statesman's business is only to remove the seat of it from his own country. When that can be accomplished without detriment to industry at home, he has an opportunity of joining all the advantages of ancient simplicity, to the wealth and power which attend upon the luxury of modern states. He may preserve his people in sobriety and moderation as to every expense, as to every consumption, and make them enjoy, at the same time, riches and superiority over all their neighbours.

Such would be the state of trading nations, were they only employed in supplying the wants or extravagant consumption of strangers; and did they not insensibly adopt the very manners with which they strive to inspire others.

As often, therefore, as we suppose a people applying themselves to the advancement of foreign trade, we must simplify our ideas, by dismissing all political combinations of other circumstances; that is to say, we must suppose the spirit universal, and then point out the principles which influence the success of it.

We must encourage economy, frugality, and a simplicity of manners, discourage the consumption of every thing that can be sold out of the country, and excite a taste for superfluity in neighbouring nations. When such a system can no more be supported to its full extent, by the scale of foreign demand becoming positively lighter; then in order to set the balance even again, without taking any thing out of the

heavy scale, and to preserve and give bread to those who have enriched the state, an additional home consumption, proportioned to the deficiency of foreign demand, must be encouraged. For were the same simplicity of manners still kept up, the infallible consequence would be a forced restitution of the balance, by the distress, misery, and at last extinction of the supernumerary workmen.

I must therefore, upon such occasions, consider the introduction of luxury, or superfluous consumption, as a rational and moral consequence of the deficiency of foreign trade.

I am, however, far from thinking that the luxury of every modern state, is only in proportion to such failure; and I readily admit, that many examples may be produced where the progress of luxury, and the domestic competitions with strangers who come to market, have been the cause both of the decline and extinction of their foreign trade; but as my business is chiefly to point out principles, and to show their effects, it is sufficient to observe, that in proportion as foreign trade declines, either a proportional augmentation upon home consumption must take place, or a number of the industrious, proportioned to the diminution of former consumption, must decrease. By the first, what I call a natural restitution of the balance is brought about, from the principles above deduced; by the second, what I call a forced one.

Here then is an example, where the introduction of luxury may be a rational and prudent step of administration; and as long as the progress of it is not

accelerated from any other principle, but that of preserving the industrious, by giving them employment, the same spirit, under the direction of an able statesman, will soon throw industry into a new channel, better calculated for reviving foreign trade and for promoting the public good, by substituting the call of foreigners in place of that of domestic luxury.

I hope, from what I have said, the political effects of luxury, or the consumption of superfluity, are sufficiently understood. These I have hitherto considered as advantageous only to those classes who are made to subsist by them; I reserve for another occasion the pointing out how they influence the imposition of taxes, and how the abuse of consumption in the rich may affect the prosperity of a state.

So soon as all foreign trade comes to a stop, without a scheme for recalling it, and that domestic consumption has filled up its place in consuming the work, and giving bread to the industrious, we find ourselves obliged to reason again upon the principles of the first book. The statesman has once more both the producers and the consumers under his care. The consumers can live without employment, the producers cannot. The first seldom have occasion for the statesman's protection; the last constantly stand in need of it. There is a perpetual fluctuation in the balance between these two classes, from which a multitude of new principles arise; and these render the administration of government infinitely more difficult, and require superior talents in the person who is at the helm. I shall here only point out the

most striking effects of the fluctuation and overturn of this new balance, which in the subsequent chapters shall be more fully illustrated.

1^{mo}. In proportion as the consumers become extravagant, the producers become wealthy; and when the former become bankrupts, the latter fill their place.

2^{do}. As the former become frugal and economical, the latter languish; when those begin to hoard, and to adopt a simple life, these are extinguished: all extremes are vicious.

3^{tio}. If the produce of industry consumed in a country, surpasses the income of those who do not work, the balance due by the consumers must be paid to the suppliers by a proportional alienation of their funds. This vibration of the balance, gives a very correct idea of what is meant by *relative profit and loss*. The nation here loses nothing by the change produced.

4^{to}. When, on the other hand, the annual produce of industry consumed in a country, does not amount to the value of the income of those who do not work, the balance of income saved, must either be locked up in chests, made into plate, lent to foreigners, or fairly exported as the price of foreign consumption.

5^{to}. The scales stand even when there is no balance on either side; that is, when the domestic consumption is just equivalent to the annual income of the funds. I do not pretend to decide at present whether this exact equilibrium marks the state of perfection in a country where there is no foreign

trade, (of which we are now treating) or whether it be better to have small vibrations between the two scales; but I think I may say, that all subversions of the balance on either side cannot fail to be hurtful, and therefore should be prevented.

Let this suffice at present, upon a subject which shall be more fully treated of afterwards. Let us now fix our attention upon the interests of a people entirely taken up in the prosecution of foreign trade. So long as this spirit prevails, I say, it is the duty of a statesman to encourage frugality, sobriety, and an application to labor in his own people, and to excite in foreign nations a taste for superfluities as much as possible.

While a people are occupied in the prosecution of foreign trade, the mutual relations between the individuals of the state, will not be so intimate as when the producers and consumers live in the same society; such trade implies, and even necessarily creates a chain of foreign dependencies; which work the same effect, as when the mutual dependence subsisted among the citizens. Now the use of dependencies, I have said, is to form a band of society, capable of making the necessitous subsist out of the superfluities of the rich, and to keep mankind in peace and harmony with one another.

Trade, therefore, and foreign communications, form a new kind of society among nations; and consequently render the occupation of a statesman more complex. He must, as before, be attentive to provide food, other necessaries and employment for all his people; but as the foreign connexions

make these very circumstances depend upon the entertaining a good correspondence with neighbouring nations, he must acquire a proper knowledge of their domestic situation, so as to reconcile, as much as may be, the interests of both parties, by engaging the strangers to furnish articles of the first necessity, when the precious metals cannot be procured; and to accept, in return, the most consumable superfluities which industry can invent. And, last of all, he must inspire his own people with a spirit of emulation in the exercise of frugality, temperance, economy, and an application to labor and ingenuity. If this spirit of emulation is not kept up, another will take place; for emulation is inseparable from the nature of man; and if the citizens are not made to vie with one another, in the practice of moderation, the wealth they must acquire, will soon make them vie with strangers, in luxury and dissipation.

While a spirit of moderation prevails in a trading nation, it may rest assured, that in as far as it excels the nations with whom it corresponds in this particular, so far will it increase the proportion of its wealth, power, and superiority, over them. These are lawful pursuits among men, when purchased by success in so laudable an emulation.

If it be said, that superfluity, intemperance, prodigality, and idleness, qualities diametrically opposite to the former, corrupt the human mind, and lead to violence and injustice; is it not very wisely calculated by the Author of all things; that a sober people, living under a good government, should by industry and moderation, necessarily acquire wealth, which is the best means of warding off the violence of

those with whom they are bound in the great society of mankind? And is it not also most wisely ordained, that in proportion as a people contract vicious habits, which may lead to excess and injustice, the very consequence of their dissipation (poverty) should deprive them of the power of doing harm? But such reflections seem rather to be too great a refinement on my subject, and exceed the bounds of political economy.

When we treat of a virtuous people applying to trade and industry, let us consider their *interest* only, in preserving those sentiments; and examine the political evil of their falling off from them. When we treat of a luxurious nation, where the not-working part is given to excesses in all kinds of consumption, and the working part to labor and ingenuity, in order to supply them, let us examine the consequences of such a spirit with respect to foreign trade: and if we find, that a luxurious turn in the rich is prejudicial thereto, let us try to discover the methods of engaging the inhabitants to correct their manners from a motive of self-interest. These things premised.

I shall now give a short sketch of the general principles upon which a system of foreign trade may be established and preserved as long as possible, and of the methods by which it may be again recovered, when, from the natural advantages and superior ability of administration in rival nations, (not from vices at home) a people have lost for a time every advantage they used to draw from their foreign commerce.

The first general principle is to employ, as usefully as possible, a certain number of the society, in

producing objects of the first necessity, always more than sufficient to supply the inhabitants; and to contrive means of enabling every one of the free hands to procure subsistence for himself, by the exercise of some species of industry.

These first objects compassed, I consider the people as abundantly provided with what is purely necessary; and also with a surplus prepared for an additional number of free hands, so soon as a demand can be procured for their labor. In the mean time, the surplus will be an article of exportation; but no sooner will demand come from abroad, for a greater quantity of manufactures than formerly, than such demand will have the effect of gradually multiplying the inhabitants up to the proportion of the surplus above mentioned, provided the statesman be all along careful to employ these additional numbers, which an useful multiplication must produce, in supplying the additional demand: then with the equivalent they receive from strangers, they will at the same time enrich the country, and purchase for themselves that part of the national productions which had been permitted to be exported, only for want of a demand for it at home.

He must, at the same time, continue to give proper encouragement to the advancement of agriculture, that there may be constantly found a surplus of subsistence (for without a surplus there can never be enough) this must be allowed to go abroad, and ought to be considered as the provision of those industrious hands which are yet unborn.

He must cut off all foreign competition, beyond a certain standard, for all the quantity of subsistence

which is necessary for home consumption; and, by premiums upon exportation, he must discharge the farmers of any superfluous load, which may remain upon their hands when prices fall too low. This important matter shall be explained at large in another place, when we come to treat of the policy of grain.

If natural causes should produce a rise in the price of subsistence, which cannot be brought down by extending agriculture, he must then lay the whole community under contribution, in order to indemnify those who work for strangers, for the advance upon the price of their food; or he must indemnify the strangers in another way, for the advance in the price of manufactures.

He must consider the manufactures of superfluity, as worked up for the use of strangers, and discourage all domestic competition for them, by every possible means.

He must do what he can, constantly to proportion the supply to the demand made for them; and when the first necessarily comes to exceed the latter, in spite of all his care, he must then consider what remains over the demand, as a superfluity of the strangers; and for the support of the equal balance between work and demand, he must promote the sale of them even within the country, under certain restrictions, until the hands employed in such branches where a redundancy is found, can be more usefully set to work in another way.

He must consider the advancement of the common good as a direct object of private interest to every individual, and by a disinterested administration of

the public money, he must plainly make it appear that it is so.

From this principle flows the authority, vested in all governments, to load the community with taxes, in order to advance the prosperity of the state. And this object can be nowise better obtained than by applying the amount of them to the keeping an even balance between work and demand. Upon this the health of a trading state principally depends.

If the failure of foreign demand be found to proceed from the superior natural advantages of other countries, he must double his diligence to promote luxury among his neighbours; he must support simplicity at home; he must increase his bounties upon exportation; and his expense in relieving manufactures, when the price of their industry falls below the expense of their subsistence.

While these operations are conducted with coolness and perseverance, while the allurements of the wealth acquired do not frustrate the execution, the statesman may depend upon seeing foreigners return to his ports, so soon as their own dissipation, and want of frugality, come to compensate the advantages which nature had given them over their frugal and industrious neighbours.

If this plan be pursued, foreign trade will increase in proportion to the number of inhabitants; and domestic luxury will serve only as an instrument in the hands of the statesman to increase demand when the home-supply becomes too great for foreign consumption. In other words, the rich citizens will be engaged to consume what is superfluous, in order to

keep the balance even in favor of the industrious, and in favor of the nation.

The whole purport of this plan is to point out the operation of three very easy principles.

The first, That in a country entirely taken up with the object of promoting foreign trade, no competition should be allowed to come from abroad for articles of the first necessity, and principally for food, so as to raise prices beyond a certain standard.

The second, That no domestic competition should be allowed upon articles of superfluity, so as to raise prices beyond a certain standard.

The third, That when these standards cannot be preserved, and that from natural causes, prices get above them, public money must be thrown into the scale to bring prices to the level of those of exportation.

The greater the extent of foreign trade in any nation, the lower these standards *must* be kept; the less the extent of it, the higher they *may* be allowed to rise. Consequently.

Were no man in a nation employed in producing the necessaries of life, but every man in supplying articles of foreign consumption, the prices of necessaries might be allowed to fall as low as possible. There would be no occasion for a standard in favor of those who live by producing them.

Were no man in the state employed in supplying strangers, the prices of superfluities might be allowed to rise as high as possible, and a standard would also become useless, as the sole design of it is to favor exportation.

But as neither of these suppositions can ever take place, and as in every nation there is a part employed in producing, and a part in consuming, and that it is only the surplus of industry which can be exported; a standard is necessary for the support of the reciprocal interests of both parties at home; and the public money must be made to operate only upon the price of *the surplus* of industry so as to make it exportable, even in cases where the national prices upon home consumption have got up beyond the standard. Let me set this matter in another light, the better to communicate an idea which I think a little obscure.

Were food and other necessaries the pure gift of nature in any country, I should have laid it down as a principle to discourage all foreign competition for them, either below or above any certain standard; because in this case the lower the price the better, since no inconveniency could result from thence to any industrious person. But when the production of these is in itself a manufacture, or an object of industry, a certain standard must be kept up in favor of those who live by producing them.

On the other hand, as to the manufactures of superfluity, domestic competition should be discouraged, beyond a certain standard, in order that prices may not rise above those offered by foreigners; but it might be encouraged below the standard, in order to promote consumption and give bread to manufacturers. But were there no foreign demand at all, there would be no occasion for any standard, and the nation's wealth would thereby only circulate

in greater or less rapidity in proportion as prices would rise or fall. The study of the balance between work and demand, would then become a principal object of attention in the statesman, not with a view to enrich the state, but in order to preserve every member of it in health and vigor. On the other hand, the object of a standard regards foreign trade, and the acquisition of new wealth, at the expense of other nations. The rich, therefore, at home must not be allowed to increase their consumption of superfluities beyond the proportion of the constant supply; because these being intended for strangers, the only way of preventing them from supplying themselves, is to prevent prices from getting up beyond the standard, at which strangers can produce them.

Farther, were every one of the society in the same pursuit of industry, there would be no occasion for the public to be laid under contribution for advancing the general welfare; but as there is a part employed in enriching the state, by the sale of their work to strangers, and a part employed in making these riches circulate at home, by the consumption of superfluities, I think it is a good expedient to throw a part of domestic circulation into the public coffers; that when the consequences of private wealth come necessarily to raise prices, a statesman may be enabled to defray the expense of bounties upon that part which can be exported, and thereby enable the nation to continue to supply foreigners at the same price as formerly.

The farther these principles can be carried into execution, the longer a state will flourish; and the

longer she will support her superiority. When foreign demand begins to fail, so as not to be recalled, either industry must decline, or domestic luxury must begin. The consequences of both may be easily guessed at, and the principles which influence them shall be particularly examined in the following chapter.

C H A P. XVI.

Illustration of some Principles laid down in the former Chapter, relative to the advancement and support of foreign Trade.

I AM now to give an illustration of some things laid down, I think, in too general terms in the former chapter, relating to that species of trade which is carried on with other nations.

I have constantly in view to separate and distinguish the principles of foreign trade, from those which only influence the advancement of an inland commerce, and a brisk circulation: operations which produce very different effects, equally meriting the attention of a statesman.

The very existence of foreign trade, implies a separate interest between those nations who are found on the opposite side of the mercantile contract, as both endeavour to make the best bargain possible for themselves. These transactions imply a mutual dependence upon one another, which may either be necessary or contingent. It is necessary, when one
of

of the nations cannot subsist without the assistance of the other, as is the case between the province of Holland, and those countries which supply it with grain; or contingent, when the wants of a particular nation cannot be supplied by their own inhabitants, from a want of skill and dexterity, only.

Wherever, therefore, one nation finds another necessarily depending upon her for particular branches of traffic, there is a certain foundation for foreign trade; where the dependence is contingent, there is occasion for management, and for the hand of an able statesman.

The best way to preserve every advantage, is, to examine in how far they are necessary, and in how far they are only contingent, to consider in what respect the nation may be most easily rivalled by her neighbours, and in what respect she has natural advantages which cannot be taken from her.

The natural advantages are chiefly to be depended on: France, for example, can never be rivalled in her wines. Other countries may enjoy great advantages from their situation, mines, rivers, sea-ports, fishing, timber, and certain productions proper to the soil. If you abstract from these natural advantages, all nations are upon an equal footing as to trade. Industry and labor are no properties attached to place, any more than economy and sobriety.

This proposition may be called in question, upon the principles of M. de Montesquieu, who deduces the origin of many laws, customs, and even religions, from the influence of the climate. That great man reasoned from fact and from experience, and from

the power and tendency of natural causes, to produce certain effects when not checked by other circumstances; but in my method of treating this subject, I suppose these causes never to be allowed to produce their natural and immediate effects, when such effects, would be followed by a political inconvenience: because I constantly suppose a statesman at the head of government, who makes every circumstance concur in promoting the execution of the plan he has laid down.

1mo. If a nation then has formed a scheme of being long great and powerful by trade, she must first apply closely to the manufacturing every natural produce of the country. For this purpose a sufficient number of hands must be employed: for if hands be found wanting, the natural produce will be exported without receiving any additional value from labor; and so the consequences of this natural advantage will be lost.

The price of food, and all the necessaries for manufactures, must be found at an easy rate.

And, in the last place, if economy and sobriety in the workmen, and good regulations on the part of the statesman, are not kept up, the end will not be obtained: for if the manufacture, when brought to its perfection, does not retain the advantages which the manufacturer had in the beginning, by employing the natural produce of the country; it is the same thing as if the advantage had not existed. I shall illustrate this by an example.

I shall suppose wool to be better, more plentiful, and cheaper, in one country than in another, and

two nations, rivals in that trade. It is natural that the last should desire to buy wool of the first, and that the other should desire to keep it at home, in order to manufacture it. Here then is a natural advantage which the first country has over the latter, and which cannot be taken from her. I shall suppose that subsistence is as cheap in one country as in the other; that is to say, that bread and every other necessary of life is at the same price. If the workmen of the first country (by having been the founders of the cloth-manufacture, and by having had, for a long tract of years, so great a superiority over other nations, as to make them, in a manner absolutely dependent upon them for cloths) shall have raised their prices from time to time, and if, in consequence of large profits, long enjoyed without rivalship, these have been so consolidated with the real value, by an habitual greater expense in living, which implies an augmentation of wages; that country may thereby lose all the advantages it had from the low price and superior quality of its wool. But if, on the other hand, the workmen in the last country work less, be less dexterous, pay extravagant prices for wool at prime cost, and be at great expense in carriage; if manufactures cannot be carried on successfully, but by public authority, and if private workmen be crushed with excessive taxes upon the industry; all the accidental advantages which the last country had over the first, may come to be more than balanced, and the first may regain those which nature first had given her. But this should by no means make the first country rest secure. These accidental inconvenien-

cies found in the last may come to cease ; and therefore the only real security of the first for that branch, is the cheapness of the workmanship.

2^{do}. In speaking of a standard, in the last chapter, I established a distinction between one regulated by the height of foreign demand, and another kept as low as the possibility of supplying the manufacture can admit. This requires a little explanation.

It must not here be supposed that a people will ever be brought from a principle of public spirit, not to profit of a rise in foreign demand ; and as this may proceed from circumstances and events which are entirely hid from the manufacturers, such revolutions are unavoidable. We must therefore restrain the generality of our proposition, and observe, that the indispensable *vibrations* of this foreign demand do no harm ; but that the statesman should be constantly on his guard to prevent the *subversion of the balance*, or the *smallest consolidation of extraordinary profits with the real value*. This he will accomplish, as has been observed, by multiplying hands in those branches of exportation, upon which profits have risen. This will increase the supply, and even frustrate his own people of extraordinary gains, which would otherwise terminate in a prejudice to foreign trade.

A statesman may sometimes, out of a principle of benevolence, perhaps of natural equity towards the classes of the industrious, as well as from sound policy, permit larger profits, as an encouragement to some of the more elegant arts, which serve as an ornament to a country, establish a reputation for taste and

refinement in favor of a people, and thereby make strangers prefer articles of their production, which have no other superior merit than the name of the country they come from: but even as to these, he ought to be upon his guard, never to allow them to rise so high, as to prove an encouragement to other nations, to establish a successful rivalry.

3tio. The encouragement recommended to be given to the domestic consumption of superfluities, when foreign demand for them happens to fall so low as to be followed with distress in the workmen, requires a little farther explanation.

If what I laid down in the last chapter be taken literally, I own it appears an absurd supposition, because it implies a degree of public spirit in those who are in a capacity to purchase the superfluities, no where to be met with, and at the same time a self-denial, in discontinuing the demand, so soon as another branch of foreign trade is opened for the employment of the industrious, which contradicts the principles upon which we have founded the whole scheme of our political economy.

I have elsewhere observed, that were revolutions to happen as suddenly as I am obliged to represent them, all would go into confusion.

What, therefore, is meant in this operation comes to this, that when a statesman finds, that the natural taste of his people does not lead them to profit of the surplus of commodities which lie upon hand, and which were usually exported, he should interpose his authority and management in such a way as to prevent the distress of the workmen, and when, by

a sudden fall in a foreign demand, this distress becomes unavoidable, without a more powerful interposition, he should then himself become the purchaser, if others will not; or, by premiums or bounties on the surplus which lies upon hand, promote the sale of it at any rate, until the supernumerary hands can be otherwise provided for. And although I allow that the rich people of a state are not naturally led, from a principle either of public spirit or self-denial, to render such political operations effectual to promote the end proposed, yet we cannot deny, that it is in the power of a good governor, by exposing the political state of certain classes of the people, to gain upon men of substance to concur in schemes for their relief; and this is all I intend to recommend in practice. My point of view is to lay down the principles, and I never recommend them farther than they are rendered possible in execution, by preparatory steps, and by properly working on the spirit of the people.

C H A P. XVII.

Symptoms of Decay in foreign Trade.

IF manufacturers are found to be without employment, we are not immediately to accuse the statesman, or conclude this to proceed from a decay of trade, until the cause of it be inquired into. If upon examination it be found, that for some years past food has been at a higher rate than in neighbouring countries

the statesman may be to blame: for it is certain, that a trading nation, by turning part of her commerce into a proper channel, may always be able to establish a just balance in this particular. And though it be not expedient in years of scarcity to bring the price of grain very low, yet it is generally possible to raise the price of it in all rival nations, which, with regard to the present point, is the same thing.

If this want of employment for manufacturers do not proceed from the high prices of living, but for want of commissions from the merchants, the causes of this diminution of demand must be examined into. It may be accidental, and happen from causes which may cease in a little time, and trade return to flourish as before. It may also happen upon the establishment of new undertakings in different places of the country, from which by reason of some natural advantage, or a more frugal disposition in the workmen, or from the proximity of place, markets maybe supplied, which formerly were furnished by those industrious people who are found without employment. In these last suppositions, the distress of the manufacturers does not prove any decay of trade in general, but, on the contrary, may contribute to destroy the bad effects of consolidated profits, by obliging those who formerly shared them, to abandon the ease of their circumstances, and submit anew to a painful industry, in order to procure subsistence. When such revolutions are sudden, they prove hard to bear, and throw people into great distress. It is partly to prevent such inconveniencies, that we have recommended

the lowest standard possible, upon articles of exportation.

Two causes there are, which very commonly mark a decline of trade, to wit; 1. When foreign markets, usually supplied by a trading nation, begin to be furnished, let it be in the most trifling article, by others, not in use to supply them. Or, 2. When the country itself is furnished from abroad with such manufactures as were formerly made at home.

These circumstances prove one of two things, either that there are workmen in other countries, who, from advantages which they have acquired by nature, or by industry and frugality, finding a demand for their work, take the bread out of the mouths of those formerly employed, and deprive them of certain branches of their foreign trade: or, that these foreign workmen, having profited of the increased luxury and dissipation of the former traders, have begun to supply the markets with certain articles of consumption, the profits upon which being small, are, without much rivalry, insensibly yielded up to them by the workmen of the other trading nation, who find better bread in serving their own wealthy countrymen.

Against the first cause of decline, I see no better remedy than patience, as I have said already, and a perseverance in frugality and economy, until the unwary beginners shall fall into the inconveniencies generally attending upon wealth and ease.

The second cause of decline is far more difficult to be removed. The root of it lies deep, and is ingrafted

with the spirit and manners of the whole people, high and low. The lower classes have contracted a taste for superfluity and expence, which they are enabled to gratify, by working for their countrymen; while they despise the branches of foreign trade as low and unprofitable. The higher classes again depend upon the lower classes, for the gratification of a thousand little trifling desires, formed by the taste of dissipation, and supported by habit, fashion, and a love of expence.

Here then is a system set on foot, whereby the poor are made rich, and the rich are made happy, in the enjoyment of a perpetual variety of every thing which can remove the inconveniencies to which human nature is exposed. Thus both parties become interested to support it, and vie with one another in the ingenuity of contriving new wants; the one from the immediate satisfaction of removing them; the other from the profit of furnishing the means, and the hopes of one day sharing in them.

But even for this great evil, the very nature of man points out a remedy. It is the business of a statesman to lay hold of it. The remedy flows from the instability of every taste not founded upon rational desires.

In every country of luxury, we constantly find certain classes of workmen in distress, from the change of modes. Were a statesman upon his guard to employ such as are forced to be idle, before they betake themselves to new inventions, for the support of the old plan, or before they contract an abandoned and vicious life, he would get them cheap, and might turn their labor both to the advantage of the state and to the discouragement of luxury.

I confess, however, that while a luxurious taste in the rich subsists, industrious people will always be found to supply the instruments of it to the utmost extent; and I also allow, that such a taste has infinite allurements, especially while youth and health enable a rich man to indulge in it. Those, however, who are systematically luxurious, that is, from a formed taste and confirmed habit, are but few, in comparison of those who become so from levity, vanity, and the imitation of others. The last are those who principally support and extend the system; but they are not the most incorrigible. Were it not for imitation, every age would seek after, and be satisfied with the gratification of natural desires. Twenty-five might think of dress, horses, hunting, dogs, and generous wines: forty, of a plentiful table, and the pleasures of society: sixty, of coaches, elbow-chairs, soft carpets, and instruments of ease. But the taste for imitation blends all ages together. The old fellow delights in horses and fine clothes; the youth rides in his chariot on springs, and lolls in an easy chair, large enough to serve him for a bed. All this proceeds from the superfluity of riches and taste of imitation, not from the real allurements of ease and taste of luxury, as every one must feel, who has conversed at all with the great and rich. Fashion, which I understand here to be a synonymous term for imitation, leads most people into superfluous expense, which is so far from being an article of luxury, that it is frequently a load upon the person who incurs it. All such branches of expense, it is in the power of a statesman to cut off, by setting his own example,

and that of his favorites and servants, above the caprice of fashion.

The levity and changeableness of mankind, as I have said, will even assist him. A generation of economists is sometimes found to succeed a generation of spendthrifts; and we now see, almost over all Europe, a system of sobriety succeeding an habitual system of drunkenness. Drunkenness, and a multitude of useless servants, were the luxury of former times.

Every such revolution may be profited of by an able statesman, who must set a good example on one hand, while, on the other, he must profit of every change of taste, in order to re-establish the foreign trade of his subjects. An example of frugality, in the head of a luxurious people, would do infinite harm, were it only intended to reform the morals of the rich, without indemnifying the poor for the diminution upon their consumption.

At the same time, therefore, that luxury comes to lose ground at home, a door must be opened, to serve as an out-let for the work of those hands which must be thereby made idle; and which, consequently, must fall into distress.

This is no more than the principle before laid down, in the fifteenth chapter, reversed: there we said, that when foreign demand begins to decline, domestic luxury must be made to increase, in order to soften the shock of the sudden revolution in favor of the industrious. For the same reason here we say, that foreign trade must be opened upon every diminution of domestic luxury.

How few Princes do we find either frugal or mag-

nificant from political considerations ! And, this being the case , is it not necessary to lay before them the natural consequences of the one and the other ? And it is still more necessary to point out the methods to be taken in order to avoid the inconveniencies which may proceed from either.

Under a prodigal administration , the number of people will increase. The statesman therefore should keep a watchful eye upon the supplying of subsistence. Under a frugal reign , numbers will diminish, if the statesman does not open every channel which may carry off the superfluous productions of industry. Here is the reason: a diminution of expense at home, is a diminution of employment; and this again implies a diminution of people ; because it interrupts the circulation of the subsistence which made them live ; but if employment is sent far from abroad, the nation will preserve its people, and the savings of the Prince may be compensated by the balance coming in from strangers.

These topics are delivered only as hints , and the amplification of them might not improperly have a place here ; but I expect to bring them in elsewhere to greater advantage , after examining the principles of taxation , and pointing out those which direct the application of public money.

C H A P. XVIII.

Methods of lowering the Price of Manufactures, in order to make them vendible in foreign Markets.

THE multiplicity of relations between the several parts of political economy, forces me to a frequent repetition of principles. I have no other rule to judge whether such relations be superfluous, or necessary, but by the tendency they have to give me a more distinct view of my subject. This is the case when the same principles are applied to different combinations of circumstances.

Almost every thing to be said on the head mentioned in the title of this chapter, has been taken notice of elsewhere; and my present intention is only to lay together ideas which appear scattered, because they have been occasionally brought in by their relations to other matters.

The methods of lowering the price of manufactures, so as to render them exportable, are of two kinds.

The first, such as proceed from a good administration, and which bring down prices within the country, in consequence of natural causes.

The second, such as operate only upon that part which comes to be exported, in consequence of a proper application of public money.

As I have not yet inquired into the methods of providing a public fund, it would, I think, be con-

trary to order to enter on the disposal of it, for bringing down the price of manufactures. This operation will come in more naturally afterwards, and the general distinction here mentioned, is only introduced by the by, that my readers may retain it and apply it as we go along.

The end proposed is to lower the price of manufactures, so that they may be exported. The first thing therefore to be known, is the cause from whence it happens, that certain manufactures cannot be furnished at home so cheap as in other countries; the second how to apply the proper remedy for lowering the price of them.

The causes of high prices, that is, of prices relatively high to what they are found to be in other nations, are reducible to four heads; which I shall lay down in their order, and then point out the methods of removing them likewise, in their order.

1^{mo}. The consolidation of high profits with the real value of the manufacture. This cause operates in countries where luxury has gained ground, and when domestic competition has called off too many of the hands, which were formerly content to serve at a low price, and for small gains.

2^{do}. The rise in the price of articles of the first necessity. This cause operates when the progress of industry has been more rapid than that of agriculture. The progress of industry we have shown necessarily implies an augmentation of *useful inhabitants*; and as these have commonly wherewithal to purchase subsistence, the moment their numbers swell above the proportion of the quantity of it produced by agricul-

ture , or above what is found in the markets of the country , or brought from abroad , they enter into competition and raise the price of it. Here then let it be observed , by the by , that what raises the price of subsistence is the augmentation of the numbers of useful inhabitants, that is, of such as are easy in their circumstances. Let the wretched be so many , let the vicious procreation go on ever so far , such inhabitants will have little effect in raising prices, but a very great one in increasing misery. A proof of this is to be met with in many provinces where the number of poor is very great , and where at the same time the price of necessaries is very low ; whereas no instance can be found where a number of the industrious being got together , do not occasion an immediate rise on most of the articles of subsistence.

3^{to}. The natural advantages of other countries. This operates in spite of all the precautions of the most frugal and laborious people. Let them deprive themselves of every superfluity ; let them be ever so diligent and ingenious ; let every circumstance be improved by the statesman to the utmost for the establishment of foreign trade ; the advantage of climate and situation may give such a superiority to the people of another country , as to render a direct competition with them impossible.

4^{to} The superior dexterity of other nations in working up their manufactures, their knowledge in the science of trade, the advantage they have in turning their money to account in the intervals of their own direct circulation, the superior abilities of their statesman, the application of their public money, in one word, the perfection of their political economy.

Before I enter upon the method of removing these several inconveniencies, I must observe, that as we are at present treating of the *relative* height of the price of manufactures, a competition between nations is constantly implied. It is this which obliges a statesman to be principally attentive to the rise of prices. The term *competition* is relative to, and conveys the idea of emulation between two parties striving to compass the same end. I must therefore distinguish between the endeavours which a nation makes to *retain* a superiority already got, and those of another which strives to get the better of it. The first I shall call a competition to *retain*; the second, a competition to *acquire*.

The first three heads represent the inconveniencies to which the competitors to *retain* are liable; and the fourth comprehends those to which the competitors to *acquire* are most commonly exposed.

Having digested our subject into order, I shall run through the principles which severally influence the removing of every inconvenience, whether incident to a nation whose foreign trade is already well established, or to another naturally calculated for entering into a competition for the acquisition of it.

In proposing a remedy for the particular causes of augmentation here set down, we must suppose every one entirely simple, and uncompounded with the others; a thing which in fact seldom happens. This I do for the sake of distinctness; and the principal difficulty in practice is to combine the remedies in proportion to the complication of the disease. I now come to the first of the four causes of high prices, to wit, consolidated profits. The

The whole doctrine of these has been abundantly set forth in the 10th chapter. We there explained the nature of them, showed how the subversion of the balance by a long preponderancy of the scale of demand, had the effect of consolidating profits in a country of luxury; and observed, that the reducing them to the proper standard could never fail of bringing those who had long enjoyed them, into distress.

The question here is to reduce them when foreign trade cannot otherwise be retained, let the consequences be ever so hurtful to certain individuals. When the well being of a nation comes in competition with a temporary inconvenience to some of the inhabitants, the general good must be preferred to particular considerations.

I have observed above, that domestic luxury, by offering high prices upon certain species of industry, calls off many hands employed to supply the articles of exportation, upon which profits are generally very moderate. The first natural and immediate effect of this, is, to diminish the hands employed in furnishing the foreign demand; consequently, to diminish the supply; consequently, to occasion a *simple competition* on the side of the strangers, who are the purchasers; consequently, to augment profits, until by their rise and consolidation the market is deserted.

The very progress here laid down, points out the remedy. The number of hands employed in these particular branches must be multiplied; and if the luxurious taste and wealth of the country prevent any one who can do better, from betaking

himself to a species of industry lucrative to the nation, but ungrateful to those who exercise it, the statesman must collect the children of the wretched into work-houses, and breed them to this employment, under the best regulations possible for saving every article of unnecessary expence; here likewise may be employed occasionally those abovementioned, whom the change of modes may have cast out of employment, until they can be better provided for. This is also an outlet for foundlings, since many of those who work for foreign exportation, are justly to be ranked in the lowest classes of the people; and in the first book we proposed, that every one brought up at the expence of public charity, should be thrown in for recruiting these classes, which can with greatest difficulty support their own propagation.

Here let me observe, that although it be true in general, that the greatest part of exportable manufactures do yield but very middling profits, from the extension of industry in different countries, yet sundry exceptions may be found; especially in nations renowned for their elegance of taste. But how quickly do we see these lucrative branches of foreign trade cut off, from the very inconvenience we here seek a remedy for. The reason is plain. When strangers demand such manufactures, they only share in the instruments of foreign luxury, which bring every where considerable profits to the manufacturer. These high profits easily establish a rivalry in favor of the nation to whom they are supplied; because a hint is sufficient to enable such as exercise a similar profession in that country, to supply their own inhabitants. This

being the case, an able statesman should be constantly attentive to every growing taste in foreign nations for the inventions of his people; and so soon as his luxurious workmen have set any one on foot, he may throw that branch into the hands of the most frugal, in order to support it, and give them such encouragement as to prevent, at least, the rivalry of those strangers who are accustomed to work for large profits. This is one method of turning a branch of luxury into an article of foreign trade. Let me illustrate this by an example.

What great advantages do not the French reap from the exportation of their modes? But we quickly find their varnishes, gauzes, ribbands, and colifichets, imitated by other nations, for no other reason but because of the large, or at least consolidated profits enjoyed by the French workmen themselves, who, fertile in new inventions, and supported by their reputation for elegance of dress, have got into possession of the right of prescribing to all Europe the standard of taste in articles of mere superfluity. This however is no permanent prerogative; and that elegant people, by long setting the example, and determining the standard of refinement in some luxurious arts, will at last inspire a similar taste into their scholars, who will thereby be enabled to supplant them. Whereas were they careful to supply all their inventions at the lowest prices possible, they would ever continue to be the only furnishers.

The method therefore of reducing consolidated profits, whether upon articles of exportation, or home consumption, is to increase the number of hands employed in supplying them; and the more gradually this revolution is made to take place, the fewer inconveniencies will result to those who will thereby be forced to renounce them.

A country which has an extensive territory, and great opportunities of extending her agriculture (such as I supposed the present situation of France to be) may, under a good administration, find the progress of luxury very compatible with the prosperity of her foreign trade; because inhabitants may be multiplied at discretion. But so soon as subsistence becomes hard to be obtained, this expedient is cut off. A statesman must then make the best of the inhabitants he has, luxury must suffer a check; and those who are employed in supplying home consumption at high prices, must be made to reduce their consolidated profits, in order to bring the total amount of their manufactures within such bounds as to make them vendible in foreign markets.

If manufacturers become luxurious in their way of living, it must proceed from their extraordinary profits. These they may still continue to have, as long as the produce of their work is consumed at home. But no merchant will pretend to sell it out of the country; because, in this case, he will find the labor of other people who are less luxurious, and consequently work cheaper, in competition with him.

To re-establish then the foreign trade, these consolidated profits must be put an end to, by attacking luxury when circumstances render an augmentation of people inconvenient, and prices will fall of course.

This will occasion great complaints among all sorts of tradesmen. The cry will be, that trade is ruined, manufacturers are starving, and the state is undone: but the truth will be, that manufacturers will, by their labor, begin to enrich their own nation, at the expense of all those who trade with her, instead of being enriched at the expense of their own countrymen; and only by a revolution in the balance of wealth at home.

It will prove very discouraging to any statesman to attempt a sudden reform of this abuse of consolidated profits, when he is obliged to attack the luxury of his own people. The best way therefore is to prevent matters from coming to such a pass, as to demand so dangerous and difficult a remedy.

There is hardly a possibility of changing the manners of a people, but by a proper attention to the education of the youth. All methods, therefore, should be fallen upon to supply manufactures with new hands; and lest the corruption of example should get the better of all precautions, the seat of manufactures might be changed; especially when they are found in great and populous cities, where living is dear: in this case, others should be erected in the provinces where living is cheap. The state must encourage these new undertakings, numbers of children must be taken in, in order to be bred early industry and frugality; this again will encourage

people to marry and propagate, as it will contribute towards discharging them of the load of a numerous family. If such a plan as this be followed, how inconsiderable will the number of poor people become in a little time; and as it will insensibly multiply the useful inhabitants, out of that youth which recruited and supported the numbers of the poor, so the taxes appropriated for the relief of poverty may be wholly applied, in order to prevent it.

Laws of naturalization have been often proposed in a nation where consolidated profits have occasioned the inconveniencies for which we have here been proposing a remedy. By this expedient many flatter themselves to draw industrious strangers into the country, who being accustomed to live more frugally, and upon less profits, may, by their example and competition, beat down the price of work among the inhabitants.

Several circumstances concur to defeat the success of this scheme. The first is, that consolidated profits are not the only inconvenience to be removed: there is also a complication of high prices upon many necessities. The second, as no real change is supposed to be made within the country, either as to the increase of subsistence, or the regulation of its price, or manner of living, these strangers, who, as such, must be exposed to extraordinary expense, are not able to subsist, nor consequently to work so cheap as they did at home. Besides, what can be supposed to be their motive of coming, if it be not to have higher wages, and to live better?

Here then is a nation sending for strangers, in order that they may work cheaper; and strangers flocking

into the country in hopes of selling their work dearer. This is just the case with two friends who are about making a bargain; the seller imagines that *his friend* will not grudge a good price. The buyer, on the other hand, flatters himself that *his friend* will sell to him cheaper than to another. This seldom fails to produce discontent on both sides.

Besides, unless the quantity of food be increased, if strangers are imported to eat part of it, natives must in some degree starve; and if you augment the quantity of food, and keep it at a little lower price than in neighbouring nations, your own inhabitants will multiply; the state may take great numbers of them into their service when young; they soon come to be able to do something in the manufacturing way; they may be bound for a number of years, sufficient to indemnify the public for the first expense; and the encouragement alone of having bread cheaper than elsewhere, will bring you as many strangers as you incline to receive, provided a continual supply of food can be procured in proportion to the increase of the people.

But I imagine that it is always better for a state to multiply by means of its own inhabitants, than by that of strangers; for many reasons which to me appear obvious.

We come now to the second cause of high prices, to wit, a rise in the value of the articles of the first necessity, which we have said proceeds from the progress of industry having outstripped the progress of agriculture. Let me set this idea in a clearer light; for here it is shut up in too general terms to be rightly viewed on all sides.

The idea of inhabitants being multiplied beyond the proportion of subsistence, seems to imply that there are too many already; and the demand for their industry having been the cause of their multiplication, proves that formerly there were too few. Add to this, that if, notwithstanding the rise upon the price of work proceeding from the scarcity of subsistence, the scale of home demand is found to preponderate, at the expense of foreign trade, this circumstance proves farther, that however the inhabitants may be already multiplied above the proportion of subsistence, their numbers are still too few for what is demanded of them at home; and for what is required of them towards promoting the prosperity of their country, in supporting their trade abroad.

From this exposition of the matter, the remedy appears evident: both inhabitants and subsistence must be augmented. The question comes to be, in what manner, and with what precautions, must these operations be performed?

Inhabitants are multiplied by reducing the price of subsistence, to the value which demand has fixed upon the work of those who are to consume it. This is only to be accomplished by augmenting the quantity, by importation from foreign parts, when the country cannot be made to produce more of itself.

Here the interposition of a statesman is absolutely necessary; since great loss may often be incurred by bringing down the price of grain in a year of scarcity. Premiums, therefore, must be given upon importation, until a plan can be executed for the extending of agriculture; of which in another place, This must

be gone about with the greatest circumspection ; for if grain be thereby made to fall too low , you ruin the landed interest, and although (as we have said above) all things soon become balanced in a trading nation, yet sudden and violent revolutions, such as this must be , are always to be apprehended. They are ever dangerous ; and the spirit of every class of inhabitants must be kept up.

By a discredit cast upon any branch of industry , the hands employed in it may be made to abandon it, to the great detriment of the whole. This will infallibly happen, when violent transitions do not proceed from natural causes , as in the example here before us , when the price of grain is supposed to be brought down , from the increase of its quantity by importation, and not by plenty. Because , upon the falling of the market by importation , the poor farmer has nothing to make up for the low price he gets for his grain ; whereas, when it proceeds from plenty , he has an additional quantity.

In years, therefore, of general scarcity, a statesman should not, by premiums given , reduce the price of grain , but in a reciprocal proportion to the quantity wanted : that is to say, the more grain is wanted, the less the price should be diminished.

It may appear a very extensive project for any government to undertake to keep down the prices of grain, in years of general scarcity. I allow it to be politically impossible to keep prices low ; because if all Europe be taken together , the produce of the whole is consumed one year with another, by the inhabitants ; and in a year when there is a general

scarcity, it would be very hard, if not impossible, (without having previously established a plan for this purpose) to make any nation live in plenty while others are starving. All therefore that is proposed, is to keep the prices of grain in as just a proportion as possible to the plenty of the year.

Now if a government does not interpose, this never is the case. I shall suppose the inhabitants of a country to consume, in a year of moderate plenty, six millions of quarters of grain; if in a year of scarcity it shall be found, that one million of quarters, or indeed a far less quantity, be wanting, the five millions of quarters produced, will rise in their price to perhaps double the ordinary value, instead of being increased only by one fifth. But if you examine the case in countries where trade is not well established, as in some inland provinces on the continent, it is no extraordinary thing to see grain bearing three times the price it is worth in ordinary years of plenty, and yet if in such a year there were wanting six months provisions for the inhabitants of a great kingdom, all the rest of Europe would perhaps hardly be able to keep them from starving.

It is the fear of want, and not real want, which makes grain rise to immoderate prices. Now as this extraordinary revolution in the rise of it, does not proceed from a natural cause, to wit, the degree of scarcity, but from the avarice and evil designs of men who hoard it up, it produces as bad consequences to that part of the inhabitants of a country employed in manufactures, as the fall of grain would produce to the farmers, in case the prices should be, by

importation, brought below the just proportion of the quantity produced in the nation.

Besides the importation of grain, there is another way of increasing the quantity of it very considerably, in some countries of Europe. In a year of scarcity, could not the quantity of food be considerably augmented by a prohibition to make malt liquors, allowing the importation of wines and brandies; or indeed without laying any restraint upon the liberty of the inhabitants as to malt liquors, I am persuaded that the liberty of importing wines duty free, would, in years of scarcity, considerably augment the quantity of subsistence.

This is not a proper place to examine the inconvenience which might result to the revenue by such a scheme; because we are here only talking of those expedients which might be fallen upon to preserve a balance on foreign trade. An exchequer which is filled at the expense of this, will not continue long in a flourishing condition.

These appear to be the most rational temporary expedients to diminish the price of grain in years of scarcity; we shall afterwards examine the principles upon which a plan may be laid down to destroy all precariousness in the price of subsistence.

Precautions of another kind must be taken in years of plenty; for high prices occasioned by exportation are as hurtful to the poor tradesman as if they were occasioned by scarcity. And low prices occasioned by superfluity are as hurtful to the poor husbandman as if his crop had failed him.

A statesman therefore, should be very attentive to

put the inland trade in grain upon the best footing possible, to prevent the frauds of merchants, and to promote an equal distribution of food in all corners of the country: and by the means of importation and exportation, according to plenty and scarcity, to regulate a just proportion between the general plenty of the year in Europe, and the price of subsistence; always observing to keep it somewhat lower at home, than it can be found in any rival nation in trade. If this method be well observed, inhabitants will multiply; and this is a principal step towards reducing the expense of manufactures; because you increase the number of hands, and consequently diminish the price of labor.

Another expedient found to operate most admirable effects in reducing the price of manufactures (in those countries where living is rendered dear, by a hurtful competition among the inhabitants for the subsistence produced) is the invention and introduction of machines. We have, in a former chapter, answered the principal objections which have been made against them, in countries where the numbers of the idle, or trifling industrious, are so great, that every expedient which can abridge labor, is looked upon as a scheme for starving the poor. There is no solidity in this objection; and if there were, we are not at present in quest of plans for feeding the poor; but for accumulating the wealth of a trading nation, by enabling the industrious to feed themselves at the expense of foreigners. The introduction of machines is found to reduce prices in a surprising manner. And if they have the effect of taking bread from hundreds,

formerly employed in performing their simple operations, they have that also of giving bread to thousands, by extending numberless branches of ingenuity, which, without the machines, would have remained circumscribed within very narrow limits. What progress has not building made within these hundred years? Who doubts that the conveniency of great iron works, and saw mills, prompts many to build? And this taste has greatly contributed to increase, not diminish, the number both of smiths and carpenters, as well as to extend navigation. I shall only add in favor of such expedients, that experience shows the advantage gained by certain machines, is more than enough to compensate every inconvenience arising from consolidated profits, and expensive living; and that the first inventors gain thereby a superiority which nothing but adopting the same invention can counterbalance.

The third cause of high prices we have said to be owing to the natural advantages which neighbouring nations reap from their climate, soil, or situation.

Here no rise of prices is implied in the country in question, they are only supposed to have become relatively high by the opportunity other nations have had to furnish the same articles at a lower rate, in consequence of their natural advantages.

There are two expedients to be used, in order to defeat the bad effects of a competition which cannot be got the better of in the ordinary way. The first to be made use of, is, to assist the branches in distress with the public money. The other is patience, and perseverance in frugality, as has been already

observed. A short example of the first will be sufficient in this place to make the thing fully understood. I have already said, that I purposely postpone an ample dissertation upon the principles which influence such operations.

Let me suppose a nation accustomed to export to the value of a million sterling of fish every year, undersold in this article by another which has found a fishery on its own coasts, so abundant as to enable it to undersell the first by 20 *per cent*. This being the case, the statesman may buy up all the fish of his subjects, and undersell his competitors at every foreign market, at the loss of perhaps 250,000 *l*. What is the consequence? That the million he paid for the fish remains at home, and that 750,000 *l*. comes in from abroad for the price of them. How is the 250,000 *l*. to be made up? By a general imposition upon all the inhabitants. This returns into the public coffers, and all stands as it was. If this expedient be not followed, what are the consequences? That those employed in the fishery are forced to starve; that the fish taken either remain upon hand, or if sold by the proprietors, at a great loss; these are undone, and the nation for the future loses the acquisition of 750,000 *l*. a year.

To abridge this operation, premiums are given upon exportation, which comes to the same thing, and is a refinement on the application of this very principle: but premiums are often abused. It belongs to the department of the coercive power of government to put a stop to such abuse. All I shall say upon the matter is, that if there be crimes called high

treason, which are punished with greater severity than highway robbery, and assassination; I should be apt (were I a statesman) to put at the head of that bloody list, every attempt to defeat the application of public money, for the purposes here mentioned. The multiplicity of frauds alone, discourages a wise government from proceeding upon this principle, and disappoints the scheme. If severe punishment can in its turn put a stop to frauds, I believe it will be thought very well applied.

While a statesman is thus defending the foreign trade of his country, by an extraordinary operation performed upon the circulation of its wealth, he must at the same time employ the second expedient with equal address. He must be attentive to support sobriety at home, and wait patiently until abuses among his neighbours shall produce some of the inconveniencies we have already mentioned. So soon as this comes to be the case, he has gained his point; the premiums then may cease; the public money may be turned into another channel; or the tax may be suppressed altogether, according as circumstances may require.

I need not add, that the more management and discretion is used in such operations, the less jealousy will be conceived by other rival nations. And as we are proposing this plan for a state already in possession of a branch of foreign trade, ready to be disputed by others, having superior natural advantages, it is to be supposed that the weight of money, at least, is on her side. This, if rightly employed, will prove an advantage, more than equal to any thing which

can be brought against it; and if such an operation comes to raise the indignation of her rival, it will, on the other hand, reconcile the favor of every neutral state, who will find a palpable benefit from the competition, and will never fail giving their money to those who sell the cheapest. In a word, no private trader can stand in competition with a nation's wealth. Premiums are an engine in commerce, which nothing can resist but a similar operation.

Hitherto we have been proposing methods for removing the inconveniencies which accompany wealth and superiority, and for preserving the advantages which result from foreign trade already established: we must now change sides, and adopt the interest of those nations who labor under the weight of a heavy competition with their rich neighbours, versed in commerce, dexterous in every art and manufacture, and conducted by a statesman of superior abilities, who sets all engines to work, in order to make the most of every favorable circumstance.

It is no easy matter for a state unacquainted with trade and industry, even to form a distant prospect of rivalry with such a nation, while the abuses attending upon their wealth are not supposed to have crept in among them. Consequently, it would be the highest imprudence to attempt (at first setting out) any thing that could excite their jealousy.

The first thing to be inquired into, is the state of natural advantages. If any branch of natural produce, such as grain, cattle, wines, fruits, timber, or the like, are here found of so great importance

importance to the rival nation, that they will purchase them with money, not with an exchange of their manufactures; such branches of trade may be kept open with them. If none such can be found, the first is to cut off all communication of trade by exchange with such a people; and to apply closely to the supply of every want at home, without having recourse to foreigners.

So soon as these wants begin to be supplied, and that a surplus is found, other nations must be sought for, who enjoy less advantages; and trade may be carried on with them in a subaltern way. People here must glean before they can expect to reap. But by gleaning every year they will add to their stock of wealth, and the more it is made subservient to public uses, the faster it will increase.

The beginners will have certain advantage inseparable from their infant state; to wit, a series of augmentations of all kinds, of which we have so frequently made mention. If these can be preserved in an equal progression; If the balance of work and demand, and that of population and agriculture, can be kept in a gentle vibration, by alternate augmentations; and if a plan of economy, equally good with that of the rivals, be set on foot and pursued; time will bring every natural advantage of climate, soil, situation, and extent, to work their full effects; and in the end they will decide the superiority.

I shall now conclude my chapter, with some observations on the difference between theory and practice, so far as regards the present subject.

In theory, we have considered every one of the causes which produce high prices, and prevent exportation, as simple and uncompounded: in practice they are seldom ever so. This circumstance makes the remedies difficult, and sometimes dangerous. Difficult, from the complication of the disease; dangerous, because the remedy against consolidated profits will do infinite harm, if applied to remove that which proceeds from dear subsistence, as has been said.

Another great difference between theory and practice occurs in the fourth case; where we suppose a nation unacquainted with trade, to set out upon a competition with those who are in possession of it. When I examine the situation of some countries of Europe (Spain perhaps) to which the application of these principles may be made, I find that it is precisely in such nations, where the other disadvantages of consolidated profits, and even the high prices of living, are carried to the greatest height; and that the only thing which keeps one shilling of specie among them, is the infinite advantage they draw from the mines, and from the sale of their pure and unmanufactured natural productions, added to their simplicity of life, occasioned by the wretchedness of the lower classes, which alone prevents these also from consuming foreign commodities. Were money in these countries as equally distributed as in those of trade and industry, it would quickly be exported. Every one would extend his consumption of foreign commodities, and the wealth would disappear.

But this is not the case; the rich keep their money in their coffers: because lending at interest, there, is very wisely laid under numberless obstructions. The vice, therefore, is not that the lending of money at interest is forbid, but that the people are not put in a situation to have any pressing occasion for it, as a means of advancing their industry. Were they taught to supply their own wants, the state might encourage circulation by loan; but as they run to strangers for that supply, money is better locked up.

Upon a right use and application of these general principles, according to the different combinations of circumstances, in a nation whose principal object is an extensive and profitable foreign trade, I imagine a statesman may both establish and preserve, for a very long time, a great superiority in point of commerce; provided peace can be preserved; for in time of war, every populous nation, if great and extended, will find such difficulties in procuring food, and such numbers of hands to maintain, that what formerly made its greatness, will hasten its ruin.

C H A P. XIX.

Of infant, foreign, and inland Trade, with respect to the several Principles which influence them.

I HAVE always found the geography of a country easier to retain, from the inspection of maps, after travelling over the regions there represented, than

before; as most prefaces are best understood, after reading the book, which they are calculated to introduce. I intend this as an apology for presenting my readers with a chapter of distribution in the middle of my subject.

My intention, at present, is to take a view of the whole region of trade, divided into its different districts, in order to point out a ruling principle in each, from which every other must naturally flow, or may be deduced by an easy reasoning. These I shall lay before my reader, that from them he may distribute his ideas in the same order I have done. Hence the terms I shall be obliged to use will be rendered more adequate, in expressing the combinations I may have occasion to convey by them.

I divide trade into infant, foreign, and inland.

1mo. Infant trade, taken in a general acceptance, may be understood to be that species, which has for its object the supplying the necessities of the inhabitants of a country; because it is commonly antecedent to the supplying the wants of strangers. This species has been known in all ages, and in all countries, in a less, or greater degree, in proportion to the multiplication of the wants of mankind, and in proportion to the numbers of those who depend on their ingenuity for procuring subsistence.

The general principles which direct a statesman in the proper encouragement of this commerce, relate to two objects.

1. To promote the ease and happiness of the higher classes in making their wealth subservient to their wants and inclinations.

2. To promote the ease and happiness of the lower classes, by turning their natural faculties to an infallible means of relieving their necessities.

This communicates the idea of a free society; because it implies the circulation of a real equivalent for every service; to acquire which, mankind submit with pleasure to the hardest labor.

In the first book, I had little occasion to consider trade under different denominations; or as influenced by any other principle than that of promoting the multiplication of mankind, and the extension of agriculture, *by drawing the wealth of the rich into the hands of the industrious*. This operation, when carried no farther, is a true representation of infant trade.

But now I must set the matter in a new light: and consider this infant trade as a basis for establishing a foreign commerce. In itself it is only a means of gratifying the desires of those who have the equivalent; and of providing it for those who have it not. We are next to examine how, by the care of a statesman, it may prove a method whereby one society may be put in a situation to acquire a superiority over others; by diminishing, on one hand, the quantity they have of that general equivalent, and by increasing, on the other, the absolute quantity of it at home; in such a manner as not only to promote the circulation of that part of it which is necessary to supply the wants of all the citizens; but by a surplus of it, to render other nations dependent upon them, in most operations of their political economy.

The statesman who resolves to improve this infant trade into foreign commerce, must examine the wants of other nations, and consider the productions of his own country. He must then determine, what kinds of manufactures are best adapted for supplying the first, and for consuming the latter. He must introduce the use of such manufactures among his subjects; and endeavour to extend his population, and his agriculture, by encouragements given to these new branches of consumption. He must provide his people with the best masters; he must supply them with every useful machine; and above all, he must relieve them of their work, when home-demand is not sufficient for the consumption of it.

A considerable time must of necessity be required to bring a people to a dexterity in manufactures. The branches of these are many; and every one requires a particular flight of hand, and a particular master, to point out the rudiments of the art. People do not perceive this inconveniency, in countries where they are already introduced; and many a projector has been ruined for want of attention to it.

In the more simple operations of manufacturing, where apprenticeships are not in use, every one teaches another. The new beginners are put among a number who are already perfect: all the instructions they get, is, *do as you see others do before you*. This is an advantage which an established industry has over another newly set on foot; and this I apprehend to be the reason why we see certain manufactures, after remaining long in a state of infancy, make in

a few years a most astonishing progress. What loss must be at first incurred: what numbers of aspiring geniuses overpowered by unsuccessful beginnings, when a statesman does not concern himself in the operation! If he assists his subjects, by a prohibition upon foreign work, how often do we see this expedient become a means of extending the most extravagant profits? Because he neglects, at the same time, to extend the manufacture by multiplying the hands employed in it. I allow, that as long as the gates of a kingdom are kept shut, and that no foreign communication is permitted, large profits do little harm; and tend to promote dexterity and refinement. This is a very good method for laying a foundation for manufactures: but so soon as the dexterity has been sufficiently encouraged, and that abundance of excellent masters are provided, then the statesman ought to multiply the number of scholars; and a new generation must be brought up in frugality, and in the enjoyment of the most moderate profits, in order to carry the plan into execution.

The ruling principle, therefore, which ought to direct a statesman in this first species of trade, is to encourage the manufacturing of every branch of natural productions, by extending the home-consumption of them; by excluding all competition with strangers; by permitting the rise of profits, so far as to promote dexterity and emulation in invention and improvement; by relieving the industrious of their work, as often as demand for it falls short. And until it can be exported to advantage, it may be ex-

ported with loss, at the expense of the public. To spare no expense in procuring the ablest masters in every branch of industry, nor any cost in making the first establishments; providing machines, and every other thing necessary or useful to make the undertaking succeed. To keep constantly an eye upon the profits made in every branch of industry; and so soon as he finds, that the real value of the manufacture comes so low as to render it exportable, to employ the hands, as above, and to put an end to these profits he had permitted only as a means of bringing the manufacture to its perfection. In proportion as the prices of every species of industry are brought down to the standard of exportation in such proportion does this species of trade lose its original character, and adopt the second.

2do. *Foreign trade* has been explained sufficiently: the ruling principles of which are to banish luxury; to encourage frugality; to fix the lowest standard of prices possible; and to watch, with the greatest attention, over the vibrations of the balance between work and demand. While this is preserved, no internal vice can affect the prosperity of it. And when the natural advantages of other nations constitute a rivalry, not otherwise to be overcome, the statesman must counterbalance these advantages, by the weight and influence of public money; and when this expedient also becomes ineffectual, foreign trade is at an end; and out of its ashes arises the third species, which I call inland commerce.

3tio. The more general principles of *inland trade* have been occasionally considered in the first book, and more particularly hinted at in the 15th chapter of this; but there are still many new relations to be examined, which will produce new principles, to be illustrated in the subsequent chapters of this book. I shall, here only point out the general heads, which will serve to particularize and distinguish this third species of trade, from the two preceding.

Inland commerce, as here pointed out, is supposed to take place upon the total extinction of foreign trade. The statesman must in such a case, as in the other two species, attend to supplying the wants of the rich, in relieving the necessities of the poor, by the circulation of the equivalent as above; but as formerly he had it in his eye to watch over the balance of work and demand, so now he must principally attend to the balance of wealth, as it vibrates between consumers and manufacturers; that is, between the rich and the industrious. The effects of this vibration have been shortly pointed out, Chap. xv.

In conducting a foreign trade, his business was to establish the lowest standard possible as to prices; and to confine profits within the narrowest bounds: but as now there is no question of exportation, this object of his care in a great measure disappears; and high profits made by the industrious will have then no other effect than to draw the balance of wealth more speedily to their side. The higher the profits, the more quickly will the industrious be enriched, the more quickly will the consumers become poor, and

the more necessary will it become to cut off the nation from every foreign communication in the way of trade.

From this political situation of a state arises the fundamental principle of taxation ; which is , *that, at the time of the vibration of the balance between the consumer and the manufacturer, the state should advance the dissipation of the first, and share in the profits of the latter.* This branch of our subject I shall not here anticipate ; but I shall , in the remaining chapters of this book , make it sufficiently evident , that so soon as the wealth of a state becomes considerable enough to introduce luxury , to put an end to foreign trade, and from the excessive rise of prices to extinguish all hopes of restoring it , then taxes become necessary , both for preserving the government on the one hand , and on the other , to serve as an expedient for recalling foreign trade in spite of all the pernicious effects of luxury to extinguish it.

I hope from this short recapitulation and exposition of principles , I have sufficiently communicated to my reader the distinctions I wanted to establish , between what I have called infant, foreign , and inland trade. Such distinctions are very necessary to be retained ; and it is proper they should be applied in many places of this treatise , in order to qualify general propositions : these cannot be avoided , and might lead into error , without a perpetual repetition of such restrictions, which would tire the reader, appear frivolous to him , perhaps , and divert his attention.

I only add, that we are not to suppose the commerce

of any nation restricted to any one of the three species. I have considered them separately, according to custom, in order to point out their different principles. It is the business of statesmen to compound them according to circumstances.

C H A P. XX.

Of Luxury.

MY reader may perhaps be surprised to find this subject formally introduced, after all I have said of it in the first book, under a definition which renders the term sufficiently clear, by distinguishing it from sensuality and excess; and by confining it to *the providing of superfluities, in favor of a consumption*, which necessarily must produce the good effects of giving employment and bread to the industrious.

The simple acceptation of the term, was the most proper for explaining the political effects of extraordinary consumption. I cannot however deny, that the word *luxury* commonly conveys a more complex idea; and did I take no notice of this circumstance, it might be thought that I had purposely restrained a general term to a particular acceptation, in order to lead to error, and to suppress the vicious influence of modern economy over the minds of mankind; which influence, if vicious, cannot fail to affect even their political happiness.

My intention therefore, in this chapter, is to amuse, and to set my ideas concerning luxury (in the most extensive acceptation of the word) in such an order, as first to vindicate the definition I have given of it, by showing that it is a proper one; and secondly, to reconcile the sentiments of those who appear to combat one another, on a subject wherein all must agree, when terms are fully understood.

For this purpose I must distinguish *luxury* as it affects our different interests, by producing hurtful consequences; from *luxury*, as it regards the moderate gratification of our natural or rational desires. I must separate objects which are but too frequently confounded, and analyze this complicated term, by specifying the ideas it contains, under partial definitions.

The interests affected by luxury, I take to be four; 1^{mo.} *the moral*, in so far as it does hurt to the mind; 2^{do.} *the physical*, as it hurts the body; *the domestic*, as it hurts the fortune; and *the political*, as it hurts the state.

The natural desires which proceed from our animal economy, and which are gratified by *luxury*, may be also reduced to four; viz. *hunger*, *thirst*, *love*, and *ease* or indolence. The moderate gratification of these desires, and physical happiness, is the same thing. The immoderate gratification of them is *excess*; and if this also be implied by *luxury*, no man, I believe, ever seriously became its apologist.

The first point to be explained, is what is to be understood by *excess*. What appears an excess to one man, may appear moderation to another.

I therefore measure the *excess* by the bad effects it produces on the *mind*, the *body*, the *fortune* and the *state*: and when we speak of *luxury* as a vice, it is requisite to point out the particular bad effects it produces, to one, more, or all the interests which may be affected by it: when this is neglected, ambiguities ensue, which involve people in inextricable disputes.

In order to communicate my thoughts upon this subject with the more precision, I shall give an example of the harm resulting to the *mind*, the *body*, the *fortune*, and, the *state*, from the excessive gratification of the several natural desires above-mentioned.

1^{mo}. As to the mind, *eating to excess* produces the inconvenience of rendering the perceptions dull, and of making a person unfit for study or application.

Drinking confounds the understanding, and often prevents our discovering the most palpable relations of things.

Love fixes our ideas too much upon the same object, makes all our pursuits and pleasures analogous to it, and consequently renders them trifling and superficial.

Ease, that is, too great a fondness for it, destroys activity, damps our resolutions, and misleads the decisions of our judgment on every occasion, where one side of the question implies an obstacle to the enjoyment of a favorite indolence.

These are examples of the evils proceeding from *luxury* in the most general acceptation of the term. While the gratification of those desires is accompanied by no such inconveniencies, I think it is a proof, that

there has been no *moral excess*, or that no moral evil has been directly implied in the gratification. But I cannot equally determine, that there has been no luxury in the enjoyment of superfluity.

2do. *The physical* inconveniencies which follow from all the four, terminate in the hurt they do the body, health or constitution. If no such harm follows upon the gratification of our desires, I find no *physical* evil: but still *luxury*, I think, may be applied in every acceptation in which the term can be taken.

3tio. If the *domestic* inconveniences of the four species be examined, they all centre in one, viz. the dissipation of fortune, upon which depends the future ease of the proprietor, and the well-being of his posterity. When *luxury* is examined with respect to this object, the idea we conceive of it admits of a new modification. An *excess* here, is compatible with a very moderate gratification of our most natural desires. It is not *eating*, nor *drinking*, *love*, nor *indolence* which are hurtful to the fortune, but the expence attending such gratifications. All these are frequently indulged even to *excess*, in a *moral* and *physical* sense, by people who are daily becoming more wealthy by these very means.

4to. Some *political* inconveniencies of *luxury* have been already pointed out. The extinction of foreign trade is the most striking. But the loss of trade, conveys no ideas of any *moral*, *physical*, or *domestic excess*; and still it is vicious in so far as it affects the well-being of a state. Besides this particular evil, I very willingly agree, that in as far as the good government of a state depends upon the application and capacity, as well as the integrity of those who sit at the helm, or who are employ-

ed in the administration, or direction of public affairs, in so far may the moral inconveniencies of *luxury* mentioned above, affect the prosperity of a state. The consequences of *excessive luxury*, *moral* and *physical*, as well as the dissipation of private fortunes, may render both the statesman, and those whom he employs, negligent in their duty, unfit to discharge it, rapacious and corrupt. These may, indirectly, be reckoned among the *political* evils attending *luxury*, in so far as they take place. But on the other hand, as they cannot be called the *necessary effects* of the *cause* to which they are here ascribed, that is, to *moral*, *physical*, and *domestic luxury*, I do not think they can with propriety be implied in the definition of the term. They are rather to be attributed to the imperfection of the human mind, than to any other second cause, which might occasionally contribute to their production. They may proceed from *avarice*, as well as from *prodigality*.

I hope this short exposition of a matter, not absolutely falling within the limits of my subject, will suffice to prove that my definition of *luxury*, describes at least the most essential requisite towards determining it: *the providing of superfluity with a view to consumption*. This is inseparable from our ideas of *luxury*; but vicious *excess* certainly is not. A sober man may have a most delicate table, as well as a glutton; and a virtuous man may enjoy the pleasures of love and ease with as much sensuality as Heliogabalus. But no man can become luxurious, in our acceptation of the word, without giving bread to the industrious, without encouraging emulation, industry, and agriculture; and without producing the circulation

of an adequate equivalent for every service. This last is the palladium of liberty, the fountain of gentle dependence, and the agreeable band of union among free societies.

Let me therefore conclude my chapter, with a metaphysical observation. The use of words, is to express ideas; the more simple any idea is, the more easy it is to convey it by a word. Whenever, therefore, language furnishes several words, which are called *synonymous*, we may conclude, that the idea conveyed by them is not simple. On every such occasion, it is doing a service to learning, to render them as little synonymous as possible, and to point out the particular differences between the ideas they convey.

Now as to the point under consideration. I find the three terms, *luxury*, *sensuality*, and *excess*, generally considered in a synonymous light, notwithstanding the characteristic differences which distinguish them. *Luxury* consists in providing the objects of *sensuality*, in so far as they are superfluous. *Sensuality* consists in the actual enjoyment of them; and *excess* implies an abuse of enjoyment. A person, therefore, according to these definitions, may be very *luxurious* from vanity, pride, ostentation, or with a political view of encouraging consumption, without having a turn for *sensuality*, or a tendency to fall into excess. *Sensuality*, on the other hand, might have been indulged in a Lacedæmonian republic, as well as at the court of Artaxerxes.

Excess, indeed, seems more closely connected with *sensuality*, than with *luxury*; but the difference is so great that I apprehend *sensuality* must in a great measure be extinguished, before *excess* can begin

CHAP.

C H A P. XXI.

Of Physical and Political Necessaries.

AFTER having cleared up our ideas concerning *luxury*, it comes very naturally in, to examine what is meant by *physical-necessary*.

I have observed in the third chapter of the first book, that in most countries where food is limited to a determined quantity, inhabitants are fed in a regular progression down from plenty and ample subsistence, to the last period of want, and dying from hunger. *It is ample subsistence where no degree of superfluity is implied*, which communicates an idea of the *physical-necessary*. It is the top of this ladder; it is the first rank among men who enjoy no superfluity whatsoever. A man enjoys the *physical-necessary* as to food, when he is fully fed; if he is likewise sufficiently clothed, and well defended against every thing which may hurt him, he enjoys his full *physical-necessary*. The moment he begins to add to this, he may be considered as moving upwards into another category, to wit, the class of the *luxurious*, or consumers of superfluity; of which there are to be found, in most countries, as many stages upward, as there are stages downwards, from where he stood before. This is one general idea of the question. Let me now look for another.

If we examine the state of many animals which have no appetites leading them to excess, we may form a very just idea of a *physical-necessary* for man.

When they are free from labor, and have food at will, they enjoy their full physical-necessary. They are then in the height of beauty, and enjoy the greatest degree of happiness they are capable of. Animals which are forced to labor, prove to us very plainly, that this *physical-necessary* is not fixed to a point, but that it may vary like most other things: every one perceives the difference between laboring cattle which are well fed, and those which are middling, or ill fed; all however, I suppose to live in health, and to work according to their strength. This represents the nature of a *physical-necessary* for man.

In many of the inferior classes in every nation, we find various degrees of ease among the individuals; and yet upon the whole, it would be hard to determine, which are those who enjoy superfluity; which are those who possess the pure physical-necessary; and which are those who fall below it. The cause of this ambiguity must here be explained.

The nature of man furnishes him with some desires relative to his wants, which do not proceed from his animal economy, but which are entirely similar to them in their effects. These proceed from the affections of his mind, are formed by habit and education, and, when once *regularly established*, create another kind of necessary, which, for the sake of distinction, I shall call *political*. The similitude between these two species of *necessary*, is therefore the cause of ambiguity.

This *political necessary* has for its object, certain articles of *physical superfluity*, which distinguishes what we call *rank* in society.

Rank is determined by birth, education, or habit. A man with difficulty submits to descend from a higher way of living to a lower; and when an accidental circumstance has raised him for a while, above the level of that *rank* where his *birth* or *education* had placed him, his ambition prompts him to support himself in his elevation. If his attempt be a rational scheme, he is generally approved of; the common consent of his fellow-citizens prescribes a certain *political-necessary* for him, proportioned to his ambition; and when at any time *this* comes to fail, he is considered to be in want.

If on the other hand, a person either from vanity, or from no rational prospect of success, forms a scheme of rising above the *rank* where *birth* or *education* had placed him, his fellow-citizens do not consent to prescribe for him a *political-necessary* suitable to his ambition; and when this fails him, he is only considered to fall back into the class he properly belonged to. But if the *political-necessary* suitable to this rank should come to fail, then he is supposed to be deprived of his *political-necessary*.

The measure of this last species of *necessary*, is determined only by general opinion, and therefore can never be ascertained justly; and as this opinion may have for its object even those who are below the level of the *physical-necessary*; it often happens, that we find great difficulties in determining its exact limits.

It may appear absurd, to suppose that any one can enjoy *superfluity* (which we have called the characteristic of *political-necessary*) to whom any part of the *physical-necessary* is found wanting. However

absurd this may appear, nothing, however, is more common among men, and the reason arises from what has been observed above. The desires which proceed from the affections of his mind, are often so strong, as to make him comply with them at the expense of becoming incapable of satisfying that which his animal economy necessarily demands.

From this it happens, that however easy it may be to conceive an accurate idea of a physical-necessary for *animals*, nothing is more difficult, than to prescribe the proper limits for it with regard to *man*.

This being the case, let us suppose the condition of those who enjoy but little superfluity, and who fill the lower classes of the people, to be distinguished into three denominations; to wit, the highest, middle, and lowest degree of physical-necessary; and then let us ask, how we may come to form an estimation as to the respective value of the consumption implied in each, in order to determine the minimum as to the profits upon industry. This question is of great importance; because we have shown that the prosperity of foreign trade depends on the cheapness of manufacturing; and this again depends on the price of *living*, that is of the physical-necessary for manufacturers.

One very good method of estimating the value of the total consumption implied by this necessary quantity, is to compute the expense of those who live in communities, such as in hospitals, work-houses, armies, convents, according to the different degrees of ease, severally enjoyed by those who compose them. In running over the few articles

of expense in such establishments, it will be easy to discern between those, which relate to the supply of the physical, and those which relate to the supply of the political-necessary: ammunition-bread is an example of the first; a Monk's hood and long sleeves, are a species of the latter.

When once the real value of a man's subsistence is found, the statesman may the better judge of the degree of ease, necessary or expedient for him to allow to the several classes of the laborious and ingenious inhabitants.

As we have divided this physical-necessary into three degrees; the *highest*, *middle*, and *lowest*; the next question is, which of the three degrees is the most expedient to be established, as the standard value of the industry of the very lowest class of a people.

I answer, that in a society, it is requisite that the individual of the most puny constitution for labor and industry, and of the most slender genius for works of ingenuity, having no natural defect, and enjoying health, should be able by a labor proportioned to his force, to gain the *lowest* degree of the physical-necessary; for in this case, by far the greatest part of the industrious will be found in the second class, and the strong and healthy all in the first.

The difference between the highest class and the lowest, I do not apprehend to be very great. A small quantity added to what is barely sufficient, makes enough: but this *small quantity* is the most difficult to acquire, and this is the most powerful spur to industry. The moment a person begins to live by his industry, let his livelihood be ever

so poor, he immediately forms little objects of ambition; compares his situation with that of his fellows who are a degree above him, and considers a shade more of ease, as I may call it, as an advancement, not only of his happiness, but of his rank.

There are still more varieties to be met with among those who are confined to the sphere of the physical-necessary. The labor of a strong man ought to be otherwise recompensed than that of a puny creature. But in every state there is found labor of different kinds, some require more, and some less strength, and all must be paid for; but as a weakly person does not commonly require so much nourishment as the strong and robust, the difference of his gains may be compensated by the smallness of his consumption.

What we mean by the *first class* of the physical-necessary, is when a person gains wherewithal to be well fed, well clothed, and well defended against the injuries of heat and cold, without any superfluity. This I say, a strong healthy person should be able to gain by the exercise of the lowest denominations of industrious labor, and that without a possibility of being deprived of it, by the competition of others of the same profession.

Could a method be fallen upon to prevent competition among industrious people of the same profession, the moment they come to be reduced within the limits of the *physical-necessary*, it would prove the best security against decline, and the most solid basis of a lasting prosperity.

But as we have observed in the first book, the thing is impossible, while marriage subsists on the present footing. From this one circumstance, the condition of the industrious of the same profession, is rendered totally different. Some are loaded with a family, others are not. The only expedient, therefore, for a statesman, is to keep the general principles constantly in his eye, to destroy this competition as much as he can, at least in branches of exportation; to avoid, in his administration, every measure which may tend to promote it, by constituting a particular advantage in favor of some individuals of the same class; and if the management of public affairs, necessarily implies such inconveniencies, he must find out a way of indemnifying those who suffer by the competition.

We may therefore, in this place, lay down two principles: First, that no competition should be *encouraged* among those who labor for a *physical-necessary*; secondly, that in a state which flourishes by her foreign trade, competition is to be encouraged in every branch of exportation, until the competitors have reduced one another within the limits of that necessary.

Farther, I must observe, that this *physical-necessary* ought to be the highest degree of ease, which any one should be able to acquire with labor and industry, where no peculiar ingenuity is required. This also is a point deserving the attention of a statesman. How frequently do we find, in great cities, different employments, such as carrying of water, and other burdens, sawing of wood, &c. erected into confraternities, which prevent competition, and raise profits

beyond the standard of the *physical-necessary*. This, I apprehend, is a discouragement to ingenuity, and has the bad effect of rendering living dear, without answering any one of the intentions of establishing corporations, as shall be shown in another place. The *physical-necessary*, therefore, ought to be the reward of *labor* and *industry*; whatever any workman gains above this standard, ought to be in consequence of his superior *ingenuity*.

It is not at all necessary to prescribe the limits between these two classes; they will sufficiently distinguish themselves by the simple operation of competition. Let a particular person fall upon an ingenious invention, he will profit by it, and rise above the lower classes which are confined to the *physical-necessary*; but if the invention be such as may be easily copied, he will quickly be rivalled to such a degree as to reduce his profits within the bounds of that *physical-necessary*; so soon as this comes to be the case, his *ingenuity* disappears, because it ceases to be *peculiar* to him.

Here arises a question: whence does it happen that certain workmen avoid this competition, and make considerable gains by their employment, while others are rivalled in their endeavours to retain a bare *physical-necessary*?

There is a combination of several causes to operate these effects, which we shall examine separately; leaving to the reader to judge, how far the combination of them may extend profits beyond the *physical-necessary*.

I. We have said (chap. 9.) that the value of a work-

man's labor is determined from the quantity performed, in general, by those of his profession, neither supposing them the best nor the worst, nor as having any advantage or disadvantage, from the place of their abode. A workman, therefore, who, to an extraordinary dexterity, joins the advantages of place, must gain more than another.

II. We have often remarked, that competition between workmen of the same profession, diminishes the profits upon labor. From this it follows, that in such arts where the least competition is found, there must be the largest profits. Now several circumstances prevent competition. First. An extraordinary dexterity in any art, and especially in those where the whole excellency depends upon great exactness, such as watch-making, painting of all kinds, making mathematical instruments, and the like; all which set a celebrated artist in a manner above a possibility of rivalry, and make him the master of his price, as experience shows. 2d. The difficulty of acquiring the dexterity requisite, resulting both from the time and money necessary to be spent in apprenticeship, proves a plain obstacle to a numerous competition. Few there are, who having the stock sufficient to defray the loss of several years fruitless application, have also the turn necessary to lead them to that particular branch of ingenuity. 3d. Many there are, who have skill and capacity sufficient to enter into competition, but are obliged to work for others, because of the expensive apparatus of instruments, machines, lodging, and many other things necessary for setting out as a master in the art. These, and similar

causes, prevent competition, and support large profits. 4th. Masters increase their profits greatly by sharing that of their journeymen: this share, the first have a just title to from the constant employment they procure for the latter; and the certainty these have of gaining their *physical-necessary*, together with a profit proportional to their dexterity, makes them willing to share with their master. The 5th cause of considerable gains, and the last I shall mention, is the most effectual of all, viz. great economy, and parsimonious living. In proportion to the concurrence and combination of these circumstances, the fortune of the artist will increase, which is the answer to the first part of the question proposed.

We are next to inquire how it happens that many industrious people are rivalled in an industry which brings no more than a bare *physical-necessary*. This proceeds from some disadvantage either in their personal or political situation. In their personal situation, when they are loaded with a numerous family, interrupted by sickness, or other accidental avocations. In their political situation, when they happen to be under a particular subordination from which others are free, or loaded with taxes which others do not pay.

I shall only add, that in computing the value of the *physical-necessary* of the lowest denomination, a just allowance must be made for all interruptions of labor: no person can be supposed to work every free day; and the labor of the year must defray the expense of the year. This is evident. Farther, neither humanity, or policy, that is the interest of a state, can suggest a rigorous economy upon this essential

quantity. If the great abuses upon the price of labor are corrected, those which remain imperceptible to the public eye, will prove no disadvantage to exportation; and as long as this goes on with success, the state is in health and vigor. Exportation of work is another pulse of the political body.

C H A P. XXII.

Preliminary Reflections upon inland Commerce.

I RESUME the subject, which, as a rest to the mind, I dropt at the end of the 19th chapter.

I am to treat directly of inland commerce, which has been sufficiently distinguished from infant, and foreign trade.

We are to consider ourselves now as transported into a new country. Here foreign trade has been carried to the greatest height possible; but the luxury of the inhabitants, the carelessness, perhaps, of the statesman, and the natural advantages of other nations, added to the progress of their industry and refinement, have concurred to cut this branch off, and thereby to dry up the source which had constantly been augmenting national opulence.

We must examine the natural effects of this revolution; we must point out how every inconvenience may be avoided, and how a statesman may regulate his conduct, so as to prevent the exportation of any part of that wealth which the nation may have heaped

up within herself, during the prosperity of her foreign trade. How he may keep the whole of his people constantly employed, and by what means he may promote an equable circulation of domestic wealth, as an adequate equivalent given by the rich, for services rendered them by the industrious poor. How, by a judicious imposition of taxes, he may draw together an equitable proportion of every man's annual income, without reducing any one below the standard of a full physical-necessary. How he may, with this public fund, preserve in vigor every branch of industry, and be enabled also, by the means of it, to profit of the smallest revolution in the situation of other nations, so as to re-establish the foreign trade of his own people. And lastly, how the society may be thereby sufficiently defended against foreign enemies, by a body of men regularly supported and maintained at the public charge, without occasioning any sudden revolution hurtful to industry, either when it becomes necessary to increase their numbers, in order to carry on an unavoidable war, or to diminish them, upon the return of peace and tranquillity. This is, in few words, the object of a statesman's attention when he is at the head of a people living upon their own wealth, without any mercantile connexions with strangers.

However hurtful the natural and immediate effects of political causes may have been formerly, when the mechanism of government was less compounded than at present, they are now brought under such restrictions, by the complicated system of modern

economy, that the evil which might otherwise result, is guarded against with ease.

As often, therefore, as we find a notable prejudice resulting to a state, from a change of their circumstances, *gradually taking place*, we may safely conclude, that negligence, or want of abilities, in those who have the direction of public affairs, has more than any other cause been the occasion of it.

It was observed, in the third chapter of the first book, that before the introduction of modern economy, which is made to subsist by the means of taxes, a state was seldom found to be interested in watching over the actions of the people. They bought and sold, transferred, transported, modified, and compounded productions and manufactures, for public use, and private consumption, just as they thought fit. Now it is precisely in these operations that a modern state is chiefly interested; because proportional taxes are made to affect a people on every such occasion.

The interest the state has in levying these impositions, gives a statesman an opportunity of laying such operations under certain restrictions; by the means of which, upon every change of circumstances, he can produce the effect he thinks fit. Do the people buy from foreigners what they can find at home, he imposes a duty upon importation. Do they sell what they ought to manufacture, he shuts the gates of the country. Do they transfer or transport at home, he accelerates or retards the operation, as best suits the common interest. Do they modify or compound what the public good requires

to be consumed in its simple state, he can either prevent it by a positive prohibition, or he may permit such consumption to the more wealthy only, by subjecting it to a duty.

So powerful an influence over the operations of a whole people, vests an authority in a modern statesman, which was unknown in former ages, under the most absolute governments. We may discover the effects of this, by reflecting on the force of some states, at present, in Europe, where the sovereign power is extremely limited, as to every *arbitrary* exercise of it, and where, at the same time, that very power is found to operate over the wealth of the inhabitants, in a manner far more efficacious than the most despotic and arbitrary authority can possibly do.

It is the order and regularity in the administration of the complicated modern economy, which alone can put a statesman in a capacity to exert the whole force of his people. The more he has their actions under his direction, the easier it is for him to make them concur in advancing the general good.

Here it is objected, that any free people who invest a statesman with a power to control their most trivial actions, must be out of their wits, and considered as submitting to a voluntary slavery of the worst nature, as it must be the most difficult to be shaken off. This I agree to; supposing the power vested to be of an arbitrary nature, such as we have described in the thirteenth chapter of this book. But while the legislative power is only exerted in acquiring an influence over the actions of individuals,

in order to promote a scheme of political economy, uniform and consistent in all its parts, the consequence will be so far from introducing slavery among the people, that the execution of the plan will prove absolutely inconsistent with every arbitrary or irregular measure.

The power of a modern Prince, let him be, by the constitution of his kingdom, ever so absolute, becomes immediately limited so soon as he establishes the plan of economy which we are endeavouring to explain. If his authority formerly resembled the solidity and force of the wedge, which may indifferently be made use of, for splitting of timber, stones, and other hard bodies, and which may be thrown aside and taken up again at pleasure; it will at length come to resemble the watch, which is good for no other purpose than to mark the progression of time, and which is immediately destroyed, if put to any other use, or touched by any but the gentlest hand.

As modern economy, therefore, is the most effectual bridle ever invented against the folly of despotism; so the wisdom of so great a power shines nowhere with greater lustre, than when we see it exerted in planning and establishing this economy, as a bridle against the wanton exercise of power in succeeding generations. I leave it to my reader to seek for examples in the conduct of our modern Princes, which may confirm what, I think, reason seems to point out: were they less striking, I might be tempted to mention them.

The part of our subject we are now to treat of, will present us with a system of political economy, still

more complicated than any thing we have hitherto met with.

While foreign trade flourishes and is extended, the wealth of a nation increases daily; but her force is not so easily exerted, as after this wealth begins to circulate more at home, as we shall easily show. But, on the other hand, the force she exerts is much more easily recruited. In the first case, her frugality enables her to draw new supplies out of the coffers of her neighbours; in the last, her luxury affords a resource from the wealth of her own citizens.

In opening my chapter, I have introduced my reader into a new country; or indeed I may say, that I have brought him back into the same which we had under our consideration in the first book.

Here luxury and superfluous consumption will strike his view almost at every step. He will naturally compare the system of frugality, which we have dismissed, with that of dissipation, which we are now to take up; and we may very naturally conclude, that the introduction of the latter, must prove a certain forerunner of destruction. The examples found in history of the greatest monarchies being broken to pieces, so soon as the taste of simplicity was lost, seem to justify this conjecture. It is, therefore, necessary to examine circumstances a little, that we may compare, in this particular also, the economy of the ancients with our own; in order to discover whether the introduction of luxury be as hurtful at present, as it formerly proved to those states which made so great a figure in the world; and which now are only known from history, and judged of, from the few scattered

scattered ruins which remain to bear testimony of their former greatness.

Luxury is the child of wealth; and wealth is acquired by states, as by private people, either by a lucrative, or by an onerous title, as the civilians speak. The lucrative title, by which a state acquires, is either by rapine, or from her mines; the onerous title, or that for a valuable consideration, is by industry.

The wealth of the ancient monarchs of Babylon, Persia, Greece, and Rome, was the effect of rapine; whereas industry enriched the cities of Sydon, Tyre, Carthage, Athens, and Alexandria. The luxury of the first, proved the ruin of the luxurious; the luxury of the last, advanced their grandeur: because they had no rivals to take advantage of the natural effects of this luxury, in cutting off the profits of foreign trade. Peace was as hurtful to the plunderers, as war was destructive to the industrious.

When an empire was at war, its wealth was thereby made to circulate for an equivalent in services performed. So soon as peace was restored, every one returned, as it were, to a state of slavery. The monarch then possessed himself of all the wealth, and distributed it by caprice. Fortunes were made in an instant, and no body knew how: they were lost again by transitions equally violent and sudden. The luxury of those days was attended with the most excessive oppression. Extraordinary consumption was no proof of the circulation of any adequate equivalent in favor of the industrious: it had not the effect of giving bread to the poor, nor of proportionally

diminishing the wealth of the rich. The great constantly remained great; and the more they were prodigal, the more the small were brought into distress. In one word, luxury had nothing to recommend it, but that quality which *solely* constitutes the abuse of it in modern times; to wit, the excessive gratification of the passions of the great, which frequently brought on the corruption of their manners.

When such a state became luxurious, public affairs were neglected; because it was not from a right administration that wealth was to be procured. War, under such circumstances, worked effects almost similar to the springing up of industry in modern times; it procured employment, and this produced a more regular circulation, as has been said.

On the other hand, the wealth and luxury of the trading cities abovementioned, which was of the same species with that of modern times, proceeded from the alienation of their work; that is, from their industry. Nothing was gained for nothing, and when they were forced to go to war, they found themselves obliged either to dissipate their wealth, by hiring troops, or to abandon the resources of it, the labor of their industrious citizens. Thus the punic wars exalted the grandeur of plundering Rome, and blotted out the existence of industrious Carthage. I do not here pretend to vindicate the justness of these reflections in every circumstance, and it is foreign to my present purpose to be more particular; all I seek for, is to point out the different effects of luxury in ancient and modern times.

Ancient luxury was quite *arbitrary*; consequently could be laid under no limitations, but produced

the worst effects, which *naturally* and *mechanically* could proceed from it.

Modern luxury is *systematical*; it cannot make one step, but at the expense of an adequate equivalent, acquired by those who stand the most in need of the protection and assistance of their fellow-citizens; and without producing a vibration in the balance of their wealth. This balance is in the hands of the statesman, who may receive a contribution upon every such vibration. He has the reins in his hand, and may turn, restrain, and direct the luxury of his people, towards whatever object he thinks fit.

Luxury here is so far from drawing on a neglect of public affairs, that it requires the closest application to the administration of them, in order to support it. When these are neglected, the industrious will be brought to starve, consumption will diminish; that is, luxury will insensibly disappear, and hoarding will succeed it. These and similar consequences will undoubtedly take place, and *mechanically* follow one another, when a skilful hand is not applied to prevent them.

It is impossible not to perceive the advantages of supporting a flourishing inland trade, after the extinction of foreign commerce. By such means elegance of taste, and the polite arts, may be carried to the highest pitch. The whole of the inhabitants may be employed in working and consuming; all may be made to live in plenty and in ease, by the means of a swift circulation, which will produce a reasonable equality of wealth among all the inhabitants. Luxury can never be the cause of inequality. Hoarding and

parsimony form great fortunes, luxury dissipates them and restores equality.

Such a situation would surely be of all others the most agreeable, and the most advantageous, were all mankind collected into one society, or were the country where it is established cut off from every communication with other nations.

The balance between work and demand would then only influence the balance of wealth among individuals. If hands became scarce, the balance would turn the quicker in favor of the laborious, and the idle would grow poor. If hands became too plentiful (which indeed is hardly to be expected) every thing would be bought the cheaper; but the same quantity of wealth would still remain without any diminution.

Where is, therefore, the great advantage of foreign trade?

I answer by putting another question. Where is the great advantage of a person's making a large fortune in his own country? A man of a small estate may, no doubt, be as happy as another with a great one; and the same thing would be true of nations, were all equally inspired with a spirit of peace and justice; or were they subordinate to a higher temporal power, which could protect the weak against the violence and injustice of the strong.

It is, therefore, the separate interests of nations who incline to communicate together, and consume of one another's commodities, which renders the consideration of the principles of trade, a matter of great importance.

While nations contented themselves with their own

productions, while the difference of their customs, and contrast of their prejudices were great, the connexions between them were not very intimate.

From this proceeds the great diversity of languages and dialects. When a traveller finds a sudden transition from one language to another, or from one dialect to another, it is a proof that the manners of such people have been long different, and that they have had little communication with one another. On the contrary, when dialects change by degrees, as in the provinces of the same country, it is a proof that there has been no great repugnancy in their customs. In like manner, when we find several languages, at present different, but plainly deriving from the same source, we may conclude, that there was a time when such nations were connected by correspondence, or that the language has been transplanted from one to the other, by the migration of colonies. But I insensibly wander from my subject.

I have said, that when nations contented themselves with their own productions, connexions between them were not very intimate. While trade was carried on by the exchange of consumable commodities, this operation also little interested the state: consumption then was equal on both sides; and no balance was found upon either. But so soon as the precious metals became an object of commerce, and when, by being rendered an universal equivalent for every thing, it became also the measure of power between nations, then the acquisition, or at least the preservation of a proportional quantity of it, became, to the more prudent, an object of the last importance.

We have seen how a foreign trade, well conducted, has the necessary effect of drawing wealth from all other nations. We have seen in what manner the benefit resulting from this trade may come to a stop, and how the balance of it may come round to the other side. We are now to examine how the same prudence which set foreign trade on foot, and supported it as long as possible, may guard against a sudden revolution, and at the same time put an effectual stop to it; to the end that a nation enriched by commerce may not, by blindly or mechanically carrying it on, when the balance is against her, fall into those inconveniencies which other nations must have experienced during her prosperity.

C H A P. XXIII.

When a Nation, which has enriched herself by a reciprocal Commerce in Manufactures with other Nations, finds the Balance of Trade turn against her, it is her Interest to put a Stop to it altogether.

TRADER having subsisted long in the nation we are now to keep in our eye, I shall suppose that, through length of time, her neighbours have learned to supply one article of their own and other peoples wants cheaper than she can do. What is to be done? No body will buy from her, when they can be supplied from another quarter at a less price. I say, what is to be done? For if there be no check put upon trade, and if the statesman do not interpose with the greatest care, it is certain, that merchants will im-

port the produce, and even the manufactures of rival nations; the inhabitants will buy them preferably to their own; the wealth of the nation will be exported; and her industrious manufacturers will be brought to starve. We may therefore look upon this, as a problem in trade, to be resolved by the principles already established.

First, then, it must be inquired, if, in the branch in which she is underfold, her rivals enjoy a natural advantage above her, which no superior industry, frugality, or address on her side, can counterbalance? If this be the case, there are three different courses to be pursued, according to circumstances.

1mo. To renounce that branch of commerce entirely, and to take the commodities wanted from foreigners, as they can furnish them cheaper.

2do. To prohibit the importation of such commodities altogether.

3tio. To impose a duty upon importation, in order to raise the price of them so high as to make them dearer than the same kind of commodity produced at home.

The first course may be taken, if, upon examining how the hands employed in a manufacture may be disposed of, it be found, that they may easily be thrown into another branch of industry, in which the nation's natural advantages are as superior to her rivals, as their's are superior to her's in the branch she intends to abandon; and providing her neighbours will agree to open their ports to the free importation of the commodities in question. For though there may be little profit in a trade by exchange, I still think it

adviseable to continue correspondence, and to avoid every occasion of cutting off commerce with other nations. A laborious, economical, and sagacious nation, such as I suppose our traders to be, will be able to profit of many circumstances, which would infallibly turn to the disadvantage of others less expert in commerce, with whom she trades; and in expectation of favorable revolutions, she ought not rashly, nor because of small inconveniencies, to renounce trading with them; especially if luxury should appear there to be on the growing hand.

But suppose the rival nation will not consent to receive the manufactures which the traders may produce with great natural advantages, what course then is the best to be taken?

I think she ought to encourage the branch in which she is rivalled, for her own consumption, though, she must give over exporting it; and, in this case, it must be examined, whether that trade with foreigners should be prohibited altogether, (which is the second course mentioned above) or whether it be more adviseable to prefer the last scheme, viz. to allow the commodities to be imported, with a duty which may raise their price to so just a height as neither to suffer them to be sold so cheap as to discourage the domestic fabrication, nor dear enough to raise the profits of manufactures above a reasonable standard, in case of an augmentation of demand.

The second course must be taken, when the natural advantages of the foreign nations are so great, as to oblige the statesman to raise duties to such a height as to give encouragement to smuggling.

The third course seems the best, when the advantages of the rivals are more inconsiderable; in which case, the traders, may, in time, and by the progress of luxury among their neighbours, or from other revolutions, which happen frequently in trading nations, regain their former advantages.

This may be a decision, in case a nation be rivalled in a branch where she has not equal advantages with her neighbours; and when she cannot compensate this inconvenience, either by her frugality or industry, or by the means of a proper application of her national wealth. These operations have been already fully explained, and are now considered as laid aside; not that we suppose they can ever cease to operate their effects in all nations, but in order to simplify our ideas, and to point out the principles which ought to direct a statesman upon occasions where he finds better expedients impracticable, from different combinations of circumstances.

Let me next suppose a nation to be rivalled in her staple manufactures; that is, in those where she has the greatest natural advantages in her favor.

Whenever such a case happens, it must proceed from some vice within the state. Either from the progress of luxury in the workmen, which must proceed from consolidated profits, or from accidental disadvantage; such as dearness of subsistence, or from taxes injudiciously imposed. These (I mean all, except the taxes, of which afterwards) must be removed upon the principles above laid down: and if this cannot be compassed, no matter why; then comes the fatal period, when all foreign reciprocal com.

merce in manufactures must be given up. For if no profit can be made upon branches where a nation has the greatest natural advantages, it is more than probable, that every other branch will prove at least equally disadvantageous. If upon this revolution the ports of the nation be not shut against the importation of foreign manufactures, merchants will introduce them, and this will drain off the nation's wealth, and bring the industrious to starve.

It is upon this principle that incorporations are established. Of these we shall say a word, and conclude our chapter.

Cities and corporations, may be considered as nations where luxury and taxes have rendered living so expensive, that work cannot be furnished but at a high rate. If labor, therefore, of all kinds, were permitted to be brought from the provinces, or from the country, to supply the demand of the capital and smaller corporations, what would become of tradesmen and manufacturers who have their residence there? If these, on the other hand, were to remove beyond the liberties of such corporations, what would become of the public revenue, collected in these little states, as I may call them?

By the establishment of corporations, a statesman is enabled to raise high impositions upon all sorts of consumption; and notwithstanding that these have the necessary consequence of increasing the price of labor, yet by other regulations, of which afterwards, the bad consequences thereby resulting to foreign trade may be avoided, and every article of exportation be prevented from rising above the proper



standard for making it vendible, in spite of all-foreign competition.

The plan of modern taxation seems first to have been introduced into cities, while the country was subject to the barons, and remained in a manner quite free from them. Cities having obtained the privilege of incorporation, began, in consequence of the power vested in their magistrates, to levy taxes: and finding the inconveniences resulting from external competition (foreign trade) they erected the different classes of their industrious into confraternities, or corporations of a lower denomination, with power to prevent the importation of work from their fellow tradesmen not of the society.

Here arises a question.

Why are corporations complained of in many countries, as being a check upon industry; if the establishment of them proceeds from so plain a principle as that here laid down?

Let me draw my answer from another question. Why are they not complained of in all countries?

The difference between the situation of one country and another, will plainly point out the principle which ought to regulate the establishment and government of corporations. When this is well understood, all disputes concerning the general utility, or harm arising from them will be at an end: and the question will be brought to the proper issue; to wit, their relative utility considered with respect to the actual situation of the country where they are established. In one province a corporation will be found useful, in another just the contrary.

First then it must be agreed, on all hands, that the principle laid down is just. No body ever advanced, that the industry carried on in *towns*, where living is dear, ought to suffer a competition with that of the *country*, where living is cheap; I mean for the direct consumption of the citizens. But it may be advanced, that no subaltern corporation should enjoy an exclusive privilege against those who share of every burden imposed by the great corporation from which they draw their existence. That they have no right of exclusion against citizens; but only against strangers who are not under the same jurisdiction, nor liable to the same burdens. Here the dispute lies between the members of the great corporation and those of the smaller. Now, I say, while no other interest is concerned, the decision of this question ought to be left to the corporation itself. But the moment the public good comes to be affected by certain privileges enjoyed by individuals, such privileges should either be abolished, or put under limitations.

In countries where industry stands at a determined height, while the consumption of cities neither augments nor diminishes; when those who live upon an income acquired, live uniformly in the same way; when this regular consumption is regularly supplied, by a certain number of citizens sufficient to supply it; when the hands employed for this purpose are in a perfect proportion to the demand made upon them; in such countries, I say, any diminution of the privileges of corporations would be a means of overturning the equal balance between work and demand.

We have said above, that when hands become too

many for the work, profits fall below the necessary standard of subsistence; that the industrious enter into competition for the physical-necessary, and hurt one another. Here then is the principle which the corporation ought to keep in their eye: the profits upon every trade ought to be in proportion to work.

In order to come the better at the knowledge of this proportions, many corporations in Germany have the subaltern corporations of trades restrained to certain numbers. There is a determined number of apothecaries, joiners, smiths, &c. allowed in every town, and no more; according as employment is found for them. This seems a good regulation. I do not say it may not be abused. But the power of administration must be lodged somewhere; and if in a country where industry is making little progress, corporations were laid open, the consequence would be, that every one would starve another, and the consumers would be ill served.

On the other hand, when industry springs up, when the manners of a people change all of a sudden, or by quick degrees, as has been the case in many countries in Europe within these threescore years: it is a mark of a narrow capacity not to perceive that a change of administration becomes necessary; and if on such revolutions those who are at the head of corporations should profit of the increase of demand, and occasion prices to rise in favor of the incorporated workmen, the infallible consequence will be, to make the city become deserted, and deprived of a trade, which otherwise would necessarily fall to her share, in consequence

of the advantage she must draw from establishments already made for supplying every branch of consumption *. But let the principle above mentioned be constantly followed; let profits be kept at a right standard; let hands be increased according to demand; let the city-workmen gain no advantage over those of the country which may not be compensated by the difference of the price of subsistence; let the disadvantages again on the side of the town affect only their own consumption, not the surplus of their industry; let every convenience for carrying on foreign trade (every thing here is understood to be foreign, which does not enter into the consumption of the town) be provided for in the suburbs, or, if you please, in a place out of the town walled in for that purpose; let markets there be held for every kind of work coming from the country;

* The cities of the Austrian Netherlands are, from these causes, at present in a state of depopulation; and the industrious classes are assembling in the villages, which are beginning to rival the populousness of cities. In these villages, the privileges of the cities are not established. Privileges which will in all probability end in their bankruptcy as well as depopulation. The depopulation will follow from the causes already mentioned; the bankruptcy from the sums these corporations lend the sovereign, on the credit of new impositions constantly laying upon every branch of consumption. This is so true, that the acquisition of this country (one of the most fertile and most populous in Europe) would hardly be worth the having, if the debts owing by the corporations were to be fairly paid, and their ruinous *privileges* (as they are called) allowed to subsist without alteration.

and then the true intent of a corporation will be answered. If it be found that the prosperity of trade demands still more liberty, then the corporation may be thrown open; but on the other hand, every burden must be taken off, and every incorporated member must be indemnified by the state, for the loss he is thereby made to suffer.

The great change daily operating on the spirit of European nations, where corporations have been long established, without any great inconvenience having been found to arise from them, suggests these reflections, which seem to flow naturally, from the principles we have deduced. I shall only add, that from the practice of imposing taxes within these little republics (as I have called them) Princes seem to have taken the hint of extending that system; by first appropriating to the public revenue, what the cities had established in favor of themselves, and then by enlarging the plan as circumstances favored their design. That this is the true origin of the modern plan of taxation (I mean that upon consumption) may be gathered from hence; that the right of imposing taxes appears no where, almost, to have been essentially attached to royalty, even in those kingdoms, where Princes have long enjoyed an unlimited constitutional authority over the persons of their subjects. This right I take to be the least equivocal characteristic of an absolute and unlimited power. I know of no christian monarchy (except, perhaps, Russia) where either the consent of states, or the approbation or concurrence of some political body within the state, has not been requisite

to make the imposition of taxes constitutional; and if more exceptions are found, I believe it will not be difficult to trace the origin of such an exertion of sovereign authority, without ascending to a very high antiquity. The prerogative of Princes in former times, was measured by the power they could constitutionally exercise over the *persons* of their subjects; that of modern princes, by the power they have over their *purse*.

Having, therefore, shown the necessity of putting a stop to foreign reciprocal commerce in manufactures, so soon as in every branch this trade becomes disadvantageous to a nation; the next question comes to be, how to proceed in the execution, so as to avoid a sudden and violent revolution in the economy of the state, which is of all things the most dangerous: the hurt, therefore, ought to be foreseen at a great distance, in order to be methodically prevented.

C H A P. XXIV.

What is the proper Method to put a Stop to a foreign Trade in Manufactures, when the balance of it turns against a Nation?

IT must not be understood, from what was said in the last chapter, that so soon as the balance of foreign trade, either on the whole, or on any branch of manufacture, is to be found against a nation, that

that a statesman should then at once put a total stop to it. This is too violent a remedy ever to be applied with success.

It is hardly possible, that a considerable revolution in the trade of a nation should happen suddenly, either to its advantage, or disadvantage, unless in times of civil discord, or foreign wars, which at present do not enter into the question.

A sagacious statesman will, at all times, keep a watchful eye upon every branch of foreign commerce, especially upon importations. These consist either in the natural produce of other countries, or in such produce increased in its value by manufacture.

In all trade two things are to be considered in the commodity sold. The first is the matter; the second is the labor employed to render this matter useful.

The matter exported from a country, is what the country loses; the price of the labor exported, is what it gains.

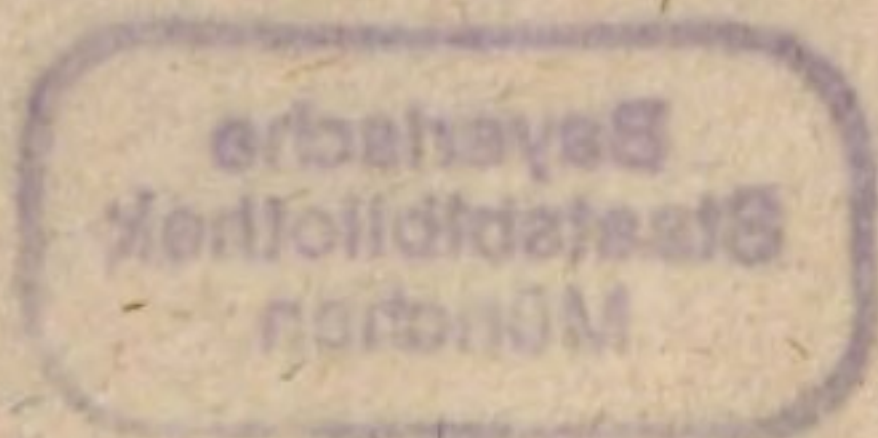
If the value of the matter imported, be greater than the value of what is exported, the country gains. If a greater value of labor be imported, than exported, the country loses. Why? Because in the first case, strangers must have paid, *in matter*, the surplus of labor exported; and in the second case, because the country must have paid to strangers, *in matter*, the surplus of labor imported.

It is therefore a general maxim, to discourage the importation of work, and to encourage the exportation of it.

When any manufacture begins to be imported, which was usually made at home, it is a mark that

either the price of it begins to rise within the country, or that strangers are making a new progress in it. On the other hand, when the importation of manufactures consumed within a country comes to diminish, and when merchants begin to lose upon such branches of trade, it is a proof that industry at home is gaining ground in those articles. The statesman then must take the hint, and set out by clogging gently the importation of those commodities, not so as to put a stop to it all at once; because this might have the effect of carrying profits too high upon the home fabrication of them.

All sudden revolutions are to be avoided. A sudden stop upon a large importation, raises the prices of domestic industry by jerks, as it were; they do not rise gradually; and these sudden profits engage too many people to endeavour to share in them. This occasions a desertion from other branches of industry equally profitable to the state. Such revolutions do great harm; because it is a long time before people come to be informed of their true cause, and during the uncertainty, they are, as it were, in a wilderness, surprised and delighted with the consequences, according as their several interests are affected by them. Every one accounts for the phenomena in a different way. Some are for applying remedies against the inconveniences; while others are totally taken up in profiting to the utmost of every momentary advantage. In a word, nothing is more hurtful than a sudden revolution, in so complicated a body as that of the whole class of the industrious, in a modern society. When therefore such changes happen, in spite of all a statef-



man can do, the best way to prevent the inconveniencies which they draw along with them, is to inform the public of the true causes of every change, favorable or hurtful to the several classes of inhabitants. This also seems to be the best method to engage every one to concur in promoting the proper remedies, when the inconveniencies themselves cannot be prevented. So much for a scheme of encouraging growing manufactures, or of supporting them in their decline. I proceed next to consider the methods of preventing the loss of others already established.

We have said, that the importation of any article of consumption usually provided at home, was a proof by no means equivocal of a foreign rivalry. I shall say nothing, at present, of the methods to be used as a remedy for this inconvenience: these have been already discussed. We must now suppose, every one that might be contrived for this purpose, to become ineffectual; and that foreign industry is so far gaining ground, as daily, more and more, to supply the several branches of domestic consumption.

Upon this, the statesman will begin by laying the importation of such commodities under certain restrictions. If these do not prove sufficient, they must be increased; and if the augmentation produces frauds, difficult to be prevented, the articles must be prohibited altogether. By this method of proceeding, it will be found, that without any violent or sudden prohibition laid upon foreign trade, by little and little, every pernicious branch of it will be cut off, till at last it will cease altogether, as in the case mentioned above; to wit, when the most advantageous branches cannot be carried on without loss.

Something, however, must here be added, in order to restrain so general a plan of administration. Nothing is more complex than the interests of trade, considered with respect to a whole nation. It is hardly possible for a people to have every branch of trade favorable for the increase of her wealth: consequently, a statesman who upon the single inspection of one branch, would lay the importation of it under limitations, in proportion as he found the balance upon it unfavorable to the nation, might very possibly undo a flourishing commerce.

He must first examine minutely every use to which the merchandize imported is put: if a part is re-exported with profit, this profit must be deduced from the balance of loss incurred by the consumption of the remainder. If it be consumed upon the account of other branches of industry, which are thereby advanced, the balance of loss may still be more than compensated. If it be a means of supporting a correspondence with a neighbouring nation, otherwise advantageous, the loss resulting from it may be submitted to, in a certain degree. But if upon examining the whole chain of consequences, he finds the nation's wealth not at all increased, nor her trade encouraged, in proportion to the damage at first incurred by the importation, I believe he may decide, that such a branch of trade is hurtful; and therefore that it ought to be cut off, in the most prudent manner, according to the general rule.

The first object of the care of a statesman, who conducts a nation, which is upon the point of losing her foreign trade, without any prospect or probability of

recovering it, is to preserve her wealth already acquired. No motive ought to engage him to sacrifice this wealth, the safety alone of the whole society excepted, when suddenly threatened by foreign enemies. The gratification of particular people's habitual desires, although the wealth they possess may enable them, without the smallest hurt to their private fortunes, to consume the productions of other nations; the motive of preventing hoards; that of promoting a brisk circulation within the country; the advantages to be made by merchants, who may enrich themselves by carrying on a trade disadvantageous to the nation; even, to say all in one word, the supporting of the same number of inhabitants, ought not to engage his consent to the diminution of national wealth.

Here follow my reasons for carrying this proposition so very far, even to the length of sacrificing a part of the inhabitants of a country to the preservation of its wealth; and I flatter myself, that when duly examined, I may avoid the smallest imputation of Machiavellian principles, in consequence of so bold an assertion.

While a people are fed with the produce of their own lands, the preservation of their numbers is quite consistent with the preservation of their wealth. If, therefore, in such a case, their numbers should be diminished upon a decay of foreign trade, either by their food's being exported, or by their lands becoming uncultivated, I should never hesitate to lay the blame upon the statesman's administration.

But an industrious people may (as has been said) carry their numbers far beyond the proportion of

their own subsistence. The deficiency must be supplied from abroad, and must be paid with the balance of the trade in their favor. Now when this balance comes to turn against them, and when, consequently, a stop is put to the disadvantageous foreign trade, upon the principles we have been laying down, the statesman is reduced to this alternative; either annually to allow a part of the wealth already got, to be exported, in order to buy subsistence for the *surplus* of his people, as I may call them, or to reduce their numbers by degrees, either by encouragements given to their leaving the country, or by establishing colonies, &c. until they are brought down to the just proportion of national subsistence. If he prefers the first, supposing the execution of such a plan to be possible, the consequence will be, that so soon as all the wealth is spent, the whole society, except the proprietors of the lands, and those who cultivate them, must go to destruction. If he prefers the second, he remains independent of all the world with respect to the inhabitants he preserves. They remain in a capacity of maintaining themselves, and he may alter the plan of his political economy as best suits his circumstances, relatively to other nations. While all his subjects are employed and provided for, he will remain at the head of a flourishing and happy people.

It may be here objected, that the first alternative is an impossible supposition. I allow it to be so, if you, suppose it to be carried the length to which I have traced it; because no power whatsoever in a statesman, can go so far as to preserve numbers at the expense of the whole riches of his people.

But I can very easily suppose a case, where numbers may be supported at an eminent loss to a state which finds itself in the situation in which we have represented it in our supposition.

Suppose a prince, upon the failure of his foreign trade, to increase his army, in proportion as he finds his industrious hands laid idle by a deficiency of demand for their labor; and let him fill his magazines for their subsistence by foreign importation, leaving the produce of his country to feed the rest of his subjects. By such a plan, every body will remain employed, and also provided for, and such a prince may be looked upon as a most humane governor. This I willingly agree to. I should love such a prince; but the more I loved him, the more I should regret that his project must fail, from a physical impossibility of its being long supported; and when it comes to fail by the exhausting of his wealth, it will not be his regrets which will give bread to his soldiers, nor employment to his industrious subjects, who will no longer find an equivalent for their labor.

Let this suffice at present, upon the general principles which influence the stop necessary to be put to the importation of foreign commodities, and to the diminution of national wealth, in the case we have had before us.

Next as to the articles of exportation. The most profitable branches of exportation are those of work, the less profitable those of pure natural produce. When work cannot be exported in all its perfection, because of its high price, it is better to

export it with a moderate degree of perfection, than not at all; and if even this cannot be done to advantage, then will a people be obliged to renounce working except for themselves: and then, if domestic consumption does not increase in proportion to the deficiency of foreign demand, a certain number of hands will be idle, and a certain quantity of natural produce will remain upon hand. The first must disappear in a short time; they will starve or desert; the last will become an article of exportation. Here then is a new species of trade which takes place upon the extinction of the other. When a nation has been forced to reduce her exportations to articles of pure natural produce, in conformity to the principles we have been laying down, then the plan proposed in the title of this chapter is executed. She is then brought as low in point of trade as she can be, but at the same time, she may enjoy her natural advantages in spite of fortune; and in proportion to them, she may, with a good government and frugality, retain a balance of trade in her favor, which will constantly go on in augmenting her national wealth.

There is, therefore, a period at which foreign trade may stop in every article, but in natural produce. I do not know whether this period be at a great distance, when the state of trade is considered relatively to certain nations of Europe.

Were industry and frugality found to prevail equally in every part of the great political bodies, or were luxury and superfluous consumption, every

where carried to the same height, trade might, without any hurt, be thrown entirely open. It would then cease to be an object of a statesman's care and concern. On the other hand, were all nations equally careful to check every branch of unprofitable commerce, a general stagnation of trade would soon be brought about. Manufactures would no more be the object of traffic; every nation would supply itself, and nothing would be either exported or imported but natural productions.

But as industry and idleness, luxury and frugality, are constantly changing their balance throughout the nations of Europe, able merchants make it their business to inform themselves of these fluctuations, and able statesmen profit of the discovery for the re-establishment of their own commerce; and when they find that this can no more be carried on with the manufactures or produce of their own country, they engage their merchants to become carriers for their neighbours, and by these means, form as it were a third and last entrenchment, which, while they can defend it, will not suffer their foreign trade to be quite extinguished; because, by this last expedient, it may continue for some time to increase their national stock. It is in order to cut off even this resource, that some nations lay not only importations under restraint, but also the importers *. Let such precautions be carried to a certain length on all hands, and we shall see an end to the whole system of

* By the act of navigation in England.

foreign trade, so much alamode, that it appears to become more and more the object of the attention as well as of the imitation of all modern statesmen.

C H A P. XXV.

When a rich Nation finds her Foreign Trade reduced to the Articles of Natural Produce, what is the best plan to be followed? and what are the Consequences of such a Change of Circumstances?

THERE is now no more question of a trading nation; this character is lost, the moment there is a stop put to the export of the labor and ingenuity of her people.

The first objects of her care should be to increase, by every possible means, the quantity of her natural produce; to be as frugal as possible in the consumption of it, and to export the surplus to the best advantage.

If she finds her exportation of subsistence going forward, while some of her people remain in want, she may rest assured that industry is made to suffer by some internal vice; and the most probable cause of such an effect will be found to be an unequal competition between those of the lower classes, who work for a physical-necessary. This must be removed, and the statesman should never rest, until he has set the balance of work and demand so far right, as to prevent at least *the scale*

of work from preponderating; for this is the door by which misery gets in among the people.

The scale of demand preponderating, will not now be so hurtful, as this alteration of the balance will only raise prices, and accelerate circulation, and keep the other balance, to wit, that of wealth (of which we shall treat in the following chapter) in a constant vibration, without diminution of the public stock.

Another object of a statesman's care in these supposed circumstances, is to suffer no work whatever, nor the natural produce of any other country conducive to luxury, to be imported; for although I have said, that superfluous consumption can do little harm when the interests of foreign trade do not enter into the question so as to prevent exportation, by raising prices at home; and though the importation of foreign produce, in exchange for like commodities of national growth, does no hurt to a state with respect to her wealth, yet if such importation be an article of mere superfluity, I think a statesman should prudently discourage it; because the search of superfluities is of itself a proof of a luxurious turn, and I should wish to see this turn improved so as to promote national purposes only, that is, to the augmentation and subsistence of useful inhabitants.

Let me illustrate this by an example. Foreign wines, I shall suppose, become alamode, as a part of the luxury of an elegant table. A statesman by his example, may discourage this, and introduce many other articles of expense in entertainments sufficient to compensate it. The furniture of apart-

ments may be rendered more magnificent, ornaments of the side-board, decoration of deserts, new amusements immediately after dinner might be introduced, which would have an air of refinement and delicacy.

By such examples he might easily substitute one expense, which might become a national improvement, in the place of another, where the luxury produces no such effect. And when prodigality and expense have neither the good effect of giving bread to the poor, nor of accelerating circulation at home in favor of the public, I can see no reason why a statesman should interest himself for their support; and much less, why a speculative person, who examines only the methods of making mankind happy by their mutual services to each other, should strain a subject, in order to find arguments proper to make either the apology or panegyric of the various schemes of dissipation.

I need not add, as a restriction of this principle of discouraging the importation of foreign commodities (which become articles of a greater superfluous home-consumption) that when such a branch of trade becomes necessary to be carried on, in order to engage a neighbouring nation to consume of home-superfluities; in this case, the luxury of the consumers of the foreign produce, has an evident tendency to national improvement. If delicate wines, and raw silk, are imported as a return for salt herrings and raw hides, the support of such a trade is only the means of making the rich consume these articles of home-production, by converting them into burgundy and velvet.

These considerations regard the augmentation, or at least the preservation of national wealth. If they are attended to, it is hardly possible that any part of what is already acquired, can go abroad; and in this case the whole balance of the exportation of natural produce becomes clear gain.

There are still several things to be observed with regard to the exportation of natural produce. Such articles as are in great abundance, and are not produced in other countries, as wines in the southern countries of Europe, ought always to be exported by the inhabitants, because considerable profits must be made upon a trade where there is no rivalry; and on such occasions, a people ought to be wise enough to keep such profits for themselves.

But if other nations will not receive them, unless they be imported by their own subjects, then the statesman may impose a duty upon exportation, which is one way of sharing the profits with the carriers. All the precaution necessary, in imposing this duty, is not to raise it so high as to diminish the demand; nor to give an encouragement to a neighbouring nation, to enter into competition for such a branch of trade.

Neighbouring states which furnish the same articles of natural produce, regulate, commonly, the duties upon exportation, in such a manner as nearly to compensate all differences which strangers may find, between trading with the one or with the other. Or they grant particular privileges in point of trade, to the nations with whom they find it most for their advantage to trade.

If the natural advantages upon such articles are less considerable, no duty can be imposed. Exportation may then be encouraged by granting still greater privileges to strangers or others, who may promote the exportation at little cost to the state.

If in the last place, the natural produce of a country be common to others, where it is perhaps equally plentiful, it will be difficult to procure the exportation of it; and yet it may happen, that too great an abundance of it at home, may occasion inconveniences. In this case, the statesman must give a premium or bounty upon exportation, as the only method of getting rid of a superfluity, which may influence so much the whole mass of the commodity produced, as to sink the price of the industry of those employed in it, below the standard of their physical-necessary. By giving, therefore, this premium, he supports industry in that branche; he takes nothing from the national wealth; and the exportation, which takes place in consequence of the bounty, is all clear gain. This is an uncommon operation in trade, but it has so intimate a connection with the doctrine of taxes, and the proper application of public money, that I will postpone the farther consideration of it until I come to that branch of my subject; and the rather, that this book is swelling beyond its due proportion.

I have little occasion to speak of importations, into a country which exports no manufactures. The ruling principle in such cases, is to suffer no importation but what tends to encourage the exportation of the surplus of natural produce, and which, at the

same time, has no tendency to rival any branch of domestic industry. Thus it is much better for a northern country to pamper the taste of her rich inhabitants with wines and spices, than to discourage agriculture by the importation of rice and foreign grain; supposing the alternative quite optional, and the one as well as the other to be the returns of her own superfluity.

I come next to the consideration of her inland trade, and consumption of her own manufactures. Here there is no question of either an increase or diminution of her wealth, but only of making it circulate in the best manner to keep every body employed. Several considerations must here influence our statesman's conduct, and a due regard must be had to every one of them. I shall reduce them to three different heads, and pass them in review very cursorily, as we have already explained sufficiently the principles upon which they depend.

1mo. To regulate consumption and the progress of luxury, in proportion to the hands which are found to supply them.

2do. To regulate the multiplication of inhabitants according to the extent of the fertility of the soil. These two considerations must constantly go hand in hand.

In so far therefore, as the statesman finds his country still capable of improvement, in so far he may encourage a demand for work, and even countenance new branches of superfluous consumption; since the equivalent to be given for them must of necessity prove an encouragement to agriculture. But

whenever the country becomes thoroughly cultivated and peopled to the full proportion of its own produce, a check must be put to multiplication, that is, to luxury, or misery and depopulation will follow; unless indeed, we suppose that numbers are to be supported at the expense of national wealth, the fatal consequences of which we have already pointed out.

3tio. He should regulate the distribution of the classes of his people; according to the political situation of the country.

This is the most complicated case of all. It would be imprudent, for example, in a very small state situated on the continent, to distribute all its inhabitants into producers and consumers, as we have called them on several occasions; that is, into those who live upon a revenue already acquired, and those who are constantly employed in acquiring one by supplying the wants of the other. There must be a third class; to wit, those who are maintained and taken care of at the expense of the whole community, to serve as a defence. This set of men give no real equivalent for what they receive; that is to say, none which can circulate or pass from hand to hand; but still they are usefully employed as members of a society mutually tied together by the band of reciprocal dependence. Here is no vice implied; but at the same time, the statesman must attend to the consequences of such a distribution of classes.

The richer any state is, the more it has to fear from its neighbours: consequently, the greater proportion of the inhabitants must be maintained for its defence, at the expense of the industry of the other inhabitants.

tants. This must diminish the number of free hands employed in manufactures, and in supplying articles of consumption: consequently, it would be imprudent to encourage the progress of luxury, while public safety calls for a diminution of the hands which must supply it. If in such circumstances luxury do not suffer a check, demand will rise above the proper standard; living will become dearer daily, prices will rise, and they will prove an obstacle to the recovery of foreign trade; an object of which a prudent statesman will never lose sight for a moment.

It is for these and other such considerations, that many small states are found to fortify their capital; to keep a body of soldiers in constant pay, bearing a great proportion to the number of the inhabitants; to form arsenals well stored with artillery, and to institute sumptuary laws and other regulations proper to check luxury. Nothing so wise in every respect! Their territory cannot be extended nor improved, nor can their inhabitants be augmented, but at the expense of their wealth; for such as gained their livelihood at the expense of strangers, are at present out of the question. Were their own citizens therefore permitted, out of the abundance of their wealth, to give bread to as many as their extravagance could maintain, the public stock would be constantly diminishing, in proportion to the foreign subsistence imported for these supernumeraries, fed at the expense of the luxurious; which would be just so much lost.

In other states which are extended, powerful by means of wealth, and strong by nature and situation, whose safety is connected with the general system

of European politics, which secures them against conquest; such as Spain, France, Great Britain, &c. the progress of luxury does little harm (as these territories are still capable of infinite improvements) provided it does not descend to the lower classes of the people.

It ought to be the particular care of a statesman to check its progress there, otherwise there will be small hopes of ever recovering foreign trade. Whereas, if the lower classes of a people continue frugal and industrious, from these very circumstances trade may open anew, and be recovered by degrees, in proportion as luxury comes to get footing in other nations, where the common people are less laborious and frugal.

Luxury, among those who live upon a revenue already got, and who, by their rank in the state, are not calculated for industry, has the good effect of affording bread to those who supply them; but there never can be any advantage in having luxury introduced among the lower classes, because it is then only a means of rendering their subsistence more chargeable, and consequently more precarious.

Having thus briefly laid together the principal objects of a statesman's care, upon the cessation of the foreign trade of his people, I shall finish my chapter, by pointing out some general consequences which reason and experience show to be naturally connected with such a revolution; not with regard to industry and inland trade, but as they influence the spirit, government, and manners of a people.

Nothing is more certain than that the spirit of a

nation changes according to circumstances. While foreign trade flourishes, the minds of the monied people are turned to gain. Money, in such hands, is generally employed to procure more, not to purchase instruments of luxury; except for the consumption of those prodigal strangers who are thereby becoming daily poorer. It is this desire of becoming rich, which produces frugality. A man, is always frugal while he is making a fortune; another very commonly becomes extravagant in the enjoyment of it; just so would it be with nations were a wise statesman never to interpose.

When, by the cessation of foreign trade, the mercantile part of a nation find themselves cut off from the profits they used to draw from strangers; and on the other hand, perceive the barriers of the nation gradually shutting against every article of unprofitable correspondence, they begin to withdraw their stocks from trade, and seek to place them within the country. This money is often lent to landed men, hitherto living within bounds, for two most substantial reasons. First, because there was little money to be borrowed, from the high rate of interest, owing to the great profits on foreign trade; and because the national stock was then only forming. The second, because the taste of the times was frugality. But when once the money which was formerly employed in buying up loads of work for the foreign markets, falls into the hands of landed men, they begin to acquire a taste for luxury. This taste is improved and extended by an infinity of arts, which employ the hands for-

merly taken up in furnishing branches of exportation. Thus by degrees we see a rich, industrious, frugal, trading nation, transformed into a rich, ingenious, luxurious, and polite nation.

As the statesman formerly kept his attention fixed on the preservation of an equal balance between work and demand, and on every branch of commerce, in order to prevent the carrying off any part of the wealth already acquired; he must now direct his attention towards the effects of the domestic operations of that wealth. He was formerly interested in its accumulation; he must now guard against the consequences of this.

While the bulk of a nation's riches is in foreign trade, they do not circulate within the country; they circulate with strangers, against whom the balance is constantly found. In this case, the richest man in a state may appear among the poorest at home. In foreign countries you may hear of the wealth of a merchant, who is your next door neighbour at home, and who, from his way of living, you never knew to be worth a shilling. The circulation of money for home-consumption will then be very small; consequently, taxes must be very low; consequently, government will be poor.

So soon as all this load of money which formerly was continually going backwards and forwards, without almost penetrating, as one may say, into the country, is taken out of foreign trade, and thrown into domestic circulation, a new scene opens.

Every one now begins to appear rich. That wealth which formerly made the admiration of foreigners, now astonishes the proprietors themselves. The use of money, formerly, was to make more of it: the use of money now, is to give it in exchange for those or such like commodities, which were then consumed by strangers only.

It is this revolution in the spirit of a people, which renders the consideration of the balance of their wealth an object of the greatest political concern; because the constant fluctuation of it, among the several classes of inhabitants, is what lays the foundation of public opulence.

A government must always be respected, feared, and obeyed by the people governed; consequently, it must be powerful, and its power must be of a nature analogous to that of the subjects. If you suppose a great authority vested in the grandees of a kingdom, in consequence of the number and dependence of their vassals, the crown must have still a more powerful vassalage at its command: if they are powerful by riches, the crown must be rich. Without preserving this just balance, no government can subsist. All power consists in men, or in money.

If therefore we suppose a vast quantity of wealth thrown into domestic circulation, the statesmen must follow new maxims. He must promote the circulation of it so as to fill up the blank of foreign consumption, and preserve all the industrious who have enriched him. The quicker the circulation is found to be, the better opportunity will the

industrious have of becoming rich speedily; and the idle and extravagant will become the more quickly poor. Another consequence equally certain is, that the quicker the circulation, the sooner will wealth become equally divided; and the more equality there is found in wealth, the more equality will be found in power. From these principles it will follow, that upon such a revolution of national circumstances, a popular government may very probably take place, if the statesman do not take proper care to prevent it.

This is done by the imposition of taxes, and these are differently laid on, according to the spirit of the government.

By taxes a statesman is enriched, and by means of his wealth, he is enabled to keep his subjects in awe, and to preserve his dignity and consideration.

By the distribution of taxes, and manner of levying them, the power is thrown into such hands as the spirit of the constitution requires it should be found in. Are they imposed in a monarchy where every man is taught to tremble at the King's name, the great men will be made rich by his bounty, and the lower classes will be loaded and kept poor; that they may, on easier terms, be engaged to fill those armies which the Prince entertains to support his authority at home, and his influence abroad.

Here independent people will always be looked upon with an evil eye, and considered as rivals to the Prince, who ought to be the only independent person in the state.

In limited governments, where the sovereign has not the sole power of taxation, they will be laid on more equally, and less arbitrarily; providing the theory of them in general be well understood. Here every man must know *what* he is to pay, and *when*; and the amount of the tax must bear a proportion, on one hand, to the exigencies of the state, and on the other, to the quantity of circulation which takes place upon the payment of it, that is, a man must not be made to pay all the state can demand of him for a year, upon his making a trifling, though most essential acquisition of a necessary article of subsistence.

I think I have observed one remarkable difference in the point of view in levying taxes in countries where these two forms of government are established.

Under the pure monarchy, the Prince seems jealous, as it were, of growing wealth, and therefore imposes taxes upon people who are growing richer. Under the limited government they are calculated chiefly to affect those who are growing poorer.

Thus the monarch imposes a tax upon industry; where every one is rated in proportion to the gain *he is supposed* to make by his profession. The poll-tax and *taille*, are likewise proportioned to the *supposed* opulence of every one liable to them. These, with others of the same nature, are calculated (as it is alledged) to establish an equality in the load supported by the subjects; by making the industrious, and money gatherers, contribute in proportion to their gains, although the capital stock from which these profits arise be concealed from the eyes of the public.

In limited governments, impositions are more generally laid upon consumption. They encourage industry, and leave the full profits of it to make up a stock for the industrious person. When the stock is made, that is, when it ceases to grow, it commonly begins to decrease: the number of prudent people, who live precisely upon their income, is very small. It is therefore upon the dissipation of wealth, in the hands of private people, that the state is enriched. Thus the career towards poverty is only a little abridged: he who is in the way of spending his estate will get at the end of it, if his life be spared; and therefore there is no harm done to him, and much good done to the state, in making a part of his wealth circulate through the public coffers.

The only precaution necessary to be taken in taxing consumption, is, to render the impositions equal, and to prevent their affecting what is purely necessary; or operating an unequal competition between people of the same denomination. Such impositions have still a worse effect, than those which fall upon growing wealth: they prevent the poor from being able to subsist themselves. A fellow feeling excites compassion among those of the lower classes; they endeavour to assist each other, and by this operation, like a pack of cards, set up by children upon a table, the first that is thrown down tumbles down another, until all are laid flat; that is, misery invades the lower classes: more than one half of a people.

From these principles (which I have been obliged to anticipate) we may gather the necessity of taxes,

in states where foreign trade begins to decay. Without them, there is no security for a government against the power of domestic wealth. Formerly, Princes lived upon their domain, or patrimonial estate. What domain would be sufficient, at present, to support the expence of government? And if a government is not able to hold the reins of every principle of action within the state, it is no government, but an idol, that is, an object of a voluntary respect. The statesman, therefore, must hold the reins; and not commit the management of the horses to the discretion of those whom he is employed to conduct.

Another consequence of taxes, is, that the more luxury prevails, the more the state becomes rich: if luxury, therefore, breeds licentiousness, it at the same time provides a curb against its bad effects.

This augmentation of wealth produces a double advantage to the statesman: for besides the increase of the public revenue, the progress of luxury changing the balance of wealth constantly, by removing it from the rich and extravagant, to the poor and laborious, renders those who were formerly rich, and consequently powerful, dependent upon him for their support. By the acquisition of such persons, he gains additional credit, and supports his authority. Thus wealth and power circulate, and go hand in hand.

It may be asked, how these principles can be reconciled with the vigor and strength commonly found in the government of flourishing trading nations; for in such we must suppose few taxes;

consequently, a poor and therefore a weak government; and a rich, consequently, a powerful people?

I answer, that under such circumstances, a people are commonly taken up with their trade, and are therefore peaceable; and as their wealth does not appear, being constantly in circulation with strangers, the influence of it is not felt at home. While wealth is employed in pursuit of farther gains, it cannot give power; consequently, as to all political effects at home, it is as if it did not exist; and therefore there is no occasion for the state to be possessed of a wealth they have no occasion to employ. If such a nation be attacked by her enemies, she becomes wealthy in an instant, every one contributes to ward off the common danger: but if, on the contrary, her tranquillity is disturbed at home, the rebellion generally proves successful; which is a confirmation of the principles laid down. I might illustrate this by many historical remarks. I shall only suggest to my reader, to examine the nature of the Dutch revolutions, and to compare the success of rebellions in France and England, during the last century, with others of a fresher date. Here the reader may consult the learned Mr. Hume's observation upon the commencement of the civil war. *History of Great Britain*, Vol. X. p. 147.

When, therefore, foreign trade has ceased for some time, and luxury has filled up the void, a considerable part of national wealth begins to circulate through the public treasury. It is natural then for great men to resort to court, in order to partake of the profits of government; and for the statesman to be fond

of attaching such people to his interest, in order to be a constant check upon the turbulent spirit, which new gotten wealth may excite in the minds of one set of people, and desperate fortunes in those of others.

While there was little circulation of money in Europe, and few taxes, there was small profit to be made in following of Kings. These were more formidable to their enemies, than profitable to their friends. The great men of the state lived upon their lands, and their grandeur resembled that of the Prince; it consisted in the number and dependence of their vassals; who got as little by their Lord, as he did by the King. The poor in those days were plundered of the little money they had, by the great; now the great are stripped of the largest sums, by the numbers of poor, who demand from them on all hands, the just equivalent of their industry.

When Princes find their great men all about them, all asking, and all depending for different marks of their favor, they may perceive the great change of their situation, produced by luxury, and a swift circulation. This revolution has not been sudden, it has been the work of several centuries; and I think we may distinguish three different stages during this period.

The first during the grandeur of the feudal government: then the great Barons were to be consulted, and engaged to concur in the King's wars, because it was they who paid the expense, and suffered the greatest loss. These are called by some the days of liberty; because the states of every country in

Europe, almost, were then in all their glory: they are called so with great reason, when we consider the condition of the great only.

In those days there were seldom any troubles or disturbances in the state, seldom any civil wars levied against the King, but such as were supported by the grandees; who, either jealous of their own just rights, or ambitious of acquiring others at the expense of the crown, used to compel their vassals, or engage them by the constitutional influence they had over them, to disturb the public tranquillity.

The second stage, I think, may be said to have begun with the times of industry, and the springing up of trade. Such Princes, whose subjects began to enrich themselves at the expense of other nations, found, on one side, the means of limiting the power of the great lords, in favor of the extension of public liberty. The lords, on the other side, when they wanted to disturb the public tranquillity, did not, as formerly vindicate their own privileges, so much as they combined with the people, and moved them to revolt, on popular considerations.

This may be called the period of confusion, out of which has arisen certain determined forms of government; some drawing nearer to the monarchical, others nearer to the popular form, according as the power of Princes has been more or less able to support itself, during the shock of the revolution, and the overturn of the balance between public and private opulence.

The third and last stage, of which I shall speak at present, may be fixed at that period when the pro-

portion of the public revenue became adequate to the mass of national wealth; when general laws were made to govern, and not the arbitrary power of the great. The grandees now, from being a bridle on royal authority, are often found dependent upon it for their support. The extraordinary flux of money into the treasury, enables Princes to keep splendid courts, where every kind of pleasure and amusement is to be had. This draws together the rich men of the state. The example of the sovereign prompts these to an imitation of his expense, this imitation increases consumption, which in its turn augments the King's income, as it diminishes that of every other person.

When the great men of a kingdom have exhausted their estates, in paying a regular court to the Prince, they employ the credit they have acquired with him during the time of their dissipation, to obtain marks of his favor, in order to support them in their decline. By these they are enabled to live in as much state as before. They find no difference in their situation; unless perhaps they should accidentally reflect, that the fund which produced their former opulence, was in their own possession; whereas that of their present wealth is in the hands of their master.

To compensate this difference, they are made to acquire, by the favor of the court, advantages which they never could have enjoyed from the largest independent fortune.

The luxurious system of living, every where introduced, draws the wealthy together, either in the

capital or in other great cities of the kingdom; where every one compares the expence and figure he makes, with that of others who are about him. A person honored with the King's favor, of the same quality with another, acquires, by this circumstance, a great superiority. He commands, I shall suppose, in a place; he is the person to whom people must apply, in order to obtain favors, perhaps justice; he is adorned with a title, or outward mark of distinction, which procure him respect and consideration; and, which is still more, he is on the road to a farther elevation. It requires a great stock both of philosophy and good sense, not to be dazzled with these advantages. Independency, compared with them, is but a negative happiness. To be truly happy, we must have power, and have other people to depend on us.

C H A P. XXXVI.

Of the Vibration of the Balance of Wealth between the Subjects of a modern State.

WE have frequently mentioned this balance, as an object of great importance to a statesman who is at the head of a luxurious nation; which having lost its foreign trade, has substituted, in the place of it, an extensive inland commerce. This will supply the loss of the former, so far, as equally to provide employment, and, consequently,

subsistence, to every one inclined to be industrious; although it must prove quite ineffectual for augmenting the national wealth already acquired.

I shall first explain what I mean by the balance of wealth vibrating between the members of a society, and from that will be seen why I rank this also among the political balances of a modern state.

It has been observed in the beginning of the nineteenth chapter, that the great characteristic of what we call liberty, is the circulation of an adequate equivalent for every service.

By wealth, I understand this circulating adequate equivalent.

The desires of the rich, and the means of gratifying them, make them call for the services of the poor: the necessities of the poor, and their desire of becoming rich, make them cheerfully answer the summons; they submit to the hardest labor, and comply with the inclinations of the wealthy, for the sake of an equivalent in money.

This permutation between the two classes, is what we call circulation; and the effects produced by it, upon the political situation of the parties at the precise time of circulation, and the consequences after it is compleatly effected, explains what is called the balance of wealth.

To render our ideas more correct, let us consider the money on one side, and the prestations, as the civilians call them, or performances of any kind, on the other, as *reciprocal* equivalents for one another; and then let us examine the nature of those prestations which tend to put these equivalents

into circulation; that is to say, what are the things which money can purchase.

These we may divide, with the lawyers, into corporeal and incorporeal. The corporeal may again be divided into consumable and inconsumable; and the incorporeal into personal service, and what the lawyers call *jura*, rights in or to any thing whatever. I cannot fully explain myself without the help of this distribution.

Let us next consider the effects of the circulation of money, as it has for its object, the acquisition of the four several species here laid down.

1. Of inconsumable things. 2. Of things consumable. 3. Of personal service. 4. Of rights acquired in or to any thing whatever.

1. The only thing inconsumable is the surface of the earth. This must not be taken in a philosophical, and far less in a chemical sense. A thing is consumed, so far as it concerns our inquiry, the moment it becomes useless, or even when it is lost.

The surface of the earth, therefore, is the only thing inconsumable; because, generally speaking, it never can cease to be useful, and never can be lost; it may be changed, but the earth must always have a surface. What is said of the surface, may be understood likewise of that small part of its body accessible to man, for supplying him with what he finds useful there, as the produce of mines.

Next to the earth itself, nothing is less consumable than her metals, consequently coin may very properly be classed under the head of things

things inconfumable; although it may be lost, and even worn out in circulation.

Let us now consider the effects of circulation in the purchase of land. (A), I shall suppose, has a piece of land, and (B) has one thousand pounds weight of gold coin, which the laws of society have constituted to be an adequate circulating equivalent for every thing vendible. They agree to make an exchange. Before the exchange the balance of their wealth is equal; the coin is worth the land, the land is worth the coin; the exchange makes no alteration, nor has it the effect of making any afterwards; the new landlord may apply himself to the improvement of the soil, the monied man to the turning of his thousand weight of gold coin to the best advantage; consequently, by this transaction, no vibration of the balance seems to be affected.

If coin itself be the object of sale, the consequences are much the same. (A) has a guinea, (B) has twenty-one shillings, the exchange they make produces no alteration in their circumstances. The same holds good in other species of circulation, such as the transmission of money by inheritance. (A) dies and leaves his money to (B); here the possessor of the money only changes his name, perhaps his inclinations, and that is all. In like manner a person pays his debts, and withdraws his bond, or other security; no balance is affected by this circulation, matters stand between the parties just as before.

The nature, therefore, of circulation, when one inconfumable commodity is given for another, is, that it operates no vibration in the balance of wealth.

between the parties ; because , in order to produce this , one must remain richer than he was before , and the other proportionally poorer.

II. Under the second head of alienation , to wit , that of consumable commodities , is comprehended every thing corporeal , except money , and land , which money may purchase. In these , two things deserve attention. First, the simple substance, or the production of nature ; the other , the modification, or the work of man. The first I shall call the *intrinsic worth*, the other , the *useful value*. The value of the first, must always be estimated according to its usefulness after the modification it has received is entirely destroyed , and when by the nature of the thing both must be consumed together , then the total value is the sum of both. The value of the second must be estimated according to the labor it has cost to produce it. An example will make this plain.

The intrinsic worth of any silk, woollen, or linnen manufacture , is less than the primitive value employed , because it is rendered almost unserviceable for any other use but that for which the manufacture is intended. But the intrinsic substance of a loaf of bread loses nothing by the modification , because the last cannot be consumed without the first. In a piece of silver plate curiously wrought, the intrinsic worth subsists entire , and independent of the useful value , because it loses nothing by the modification. The intrinsic value , therefore , is constantly something real in itself : the labor employed in the modification represents a portion of a man's

time, which having been usefully employed, has given a form to some substance which has rendered it useful, ornamental, or in short, fit for man, mediately or immediately.

Let us now apply these distinctions to the different circumstances which attend consumption, in order to perceive their effects.

The consumption of the intrinsic value of any commodity, takes place the moment the matter employed begins to diminish, and is compleated so soon as it is consumed totally. The consumption of the useful value proceeds in like manner, in proportion as the use it is put to makes the value of it diminish, or disappear altogether.

Let us next take an example, and examine the effects of circulation in the purchase of things consumable, as to the vibration of the balance of wealth. (A) has a piece of coin, (B) has something which his labor has produced; they make an exchange. (A) hitherto has neither gained or lost, neither has (B); but (A) begins to make use of what he had purchased with his coin, and in using it a part disappears; that moment the balance begins to turn against him. (B) on the other hand, exchanges his piece of coin with another, whom we shall call (C), and gets in return a piece of wood; if (B) puts this piece of wood into the fire, in proportion as the wood consumes, the balance is returning to its level between (A) and (B), and is changing in favor of (C). If (B), instead of burning his wood, makes a beam of it for supporting his house, the balance will turn more slowly, because the wood is then

longer in consuming: but if he makes some useful piece of furniture of one part of his wood, he may warm himself with the remaining part of it, and with the coin he gets for his work, may buy a beam for his house, and even food to eat. If (B) stops at this period, and works no more, he will find himself just upon a level with (A); so soon as his fire is burnt out, his beam rotten, and his food consumed, and the whole balance will be found in favor of (C), providing that by his industry he has been able to procure for himself all necessaries, and preserve the piece of coin entire. Here then is the spur to industry; to wit, the acquisition of this balance, which gives a relative superiority even among those of the lowest classes, and determines their rank as well as their political-necessary, according to the principles laid down in the twenty-first chapter.

The essential characteristic of this vibration of the balance of wealth, is the change in the relative proportion of riches between individuals. But it must be observed, that under this second species we are to consider the change of proportion no farther than as it is produced by the circulation of a free adequate equivalent, of such a nature as to be transferable to another hand without any diminution. The consumption, therefore, is the only thing which makes the balance turn. While the consumable commodity remains entire in the hands of the purchaser, he still remains possessor of the value, and may, by inverting the operation, return to the possession of the same species of wealth he had before.

Here it may be asked, if money be absolutely necessary for producing a vibration of this balance by the means of consumption. We may easily conceive the greatest inequality between the numbers of a state, without supposing the existence of money. We may suppose the property of lands unequally divided, and a great surplus of subsistence found in the hands of one individual, which may by him be given in exchange for the produce of industry. Under such circumstances then it may be asked, if without money there can be no such thing as a vibration in the balance of wealth; supposing in this case, the term *wealth* to imply, in general, the means of purchasing whatever man can perform or produce.

I answer, that no doubt the balance may be susceptible of small vibrations, because even in the exchange of consumable commodities, the consumption may go on faster on one side than on the other; but I think, unless the inconsumable fund of wealth (which is what gives the superiority, and which in the example alledged, we supposed to be coin) can be made to change hands according to the adequate proportion of the consumption made, we cannot say properly, that a vibration can be operated in any considerable degree.

Let us suppose (A) to be a proprietor of a bit of land, and (B) an industrious workman; in order that (B) may purchase the land of (A,) it must be supposed that (A) is very extravagant, and that he inclines to consume a much greater proportion of work than what is equivalent to all the surplus - produce of his land.

Now in order to supply (A) to the value of the land itself, (B) must distribute his work to many different persons, and take in exchange, not such things as he has use for himself, but such as may be found useful to (A). But so soon as (A) has paid to (B) the whole surplus of his land, what fund of credit will he find in order to engage (B) to furnish more? He cannot pay him in land, because this fund is not susceptible of circulation; and every expedient that could be fallen upon to keep accounts clear between them, is neither more or less than the introduction of *money*, either *real* or *symbolical*. These terms must be explained.

By real money, is meant what we call coin, or a modification of the precious metals, which by general agreement among men, and under the authority of a state, carries along with it its own intrinsic value.

By symbolical money, I understand what is commonly called credit, or an expedient for keeping accounts of debt and credit between parties, expressed in those denominations of money which are realized in the coin. Bank notes, credit in bank, bills, bonds, and merchants books (where credit is given and taken) are some of the many species of credit included under the term *symbolical money*.

In the example before us, we may suppose that (A) having no more circulating equivalent to give (B) for his work, and being desirous to consume of it to the value of his land, shall agree to issue notes of hand, every one of which shall carry in it a right to an acre of land, to a fruit tree, to ten yards

of the course of a river, &c. and that every such parcel of property, shall be esteemed at a certain proportion of work. This agreement made, he goes on with his consumption, and pays regularly, and adequately, the value of what he receives; and in proportion as consumption proceeds on the side of (A), the balance of wealth must turn in favor of (B); whereas while (A) kept his bit of land, and (B) his faculty of working up an equivalent for the surplus of it, the balance stood even; because the land on one hand, and the industry on the other, produced adequate equivalents for each other. The produce of both was consumable, and supposed to be consumed; which operation being over, the land and the industry remained as before, ready to produce anew. Here then is the effect of credit or symbolical money; and here I ask, whether or not the notes of hand given by (A) to (B), do not contain as real a value, as if he had given gold or silver? and farther, whether or not it appears, that the country where they live becomes any richer by this invention? does this note any more than declare who is the proprietor of the value contained?

Nothing is so easy as to invent a money which may make land circulate as well as houses, and every other thing which is of a nature to preserve the same value during the time of circulation. Whatever has a value, may change hands for an equivalent, and whenever this value is determined, and cannot vary, it may be made to circulate; and in the circulation to produce a vibration in the

balance of wealth, as well as a pound of gold or silver made into coin.

Those nations, therefore, who only circulate their metals, confine industry to the proportion of the mass of them. Those who would circulate their lands, their houses, their manufactures, nay their personal service, even their hours, might produce an encouragement for industry far beyond what could be done by metals only. And this may be done, when the progress of industry demands a circulation beyond their power.

This anticipation of the subject of the following book, is here thrown in, only to enable my reader to form to himself an idea of the extent of the subject we are at present upon, and to help him to judge to what length luxury, that is consumption, may be carried. Since, by what we have said, it appears that there is no impossibility for a people to throw the whole intrinsic value of their country into circulation. All may be cut into paper, as it were, or stamped upon copper, tin, or iron, and made to pass current as an adequate equivalent for the produce of industry, and as there is no bounds to be set to consumption and prodigality, it might be possible, by such an invention, in the compass of a year, to circulate an equivalent in consumable commodities produced by industry, for the whole property of the most extended and most wealthy kingdom. That this is no chimerical supposition, appears plain by the activity of many modern geniuses, who, in an inconsiderable space of time, find means to get through the greatest fortunes; that is

to say, in our language, they throw them into circulation by the means of the symbolical money of bonds, mortgages, and accounts. But does this species or circulation increase the riches of a state? surely no more than it would increase the riches of France or England, to carry all the plate in the two kingdoms to be coined at the mint. The use of symbolical money is no more than to enable those who have effects, which by their nature cannot circulate (and which, by the bye, are the principal cause of inequality) to give an adequate circulating equivalent for the services they demand, to the full extent of all their worth. In other words, it is a method of melting down, as it were, the very causes of inequality, and of rendering fortunes equal.

The patrons therefore of Agrarian laws and of universal equality, instead of crying down luxury and superfluous consumption, ought rather to be contriving methods for rendering them more universal. If they blame what is called perpetual substitutions of property or entails (made by parents in favor of their posterity as yet unborn) because they are in some respects prejudicial to industry; they should not, I think, find fault with that charming leveller *dissipation*, that nurse of industry, and the only thing intended to be prevented by such dispositions.

Some have persuaded themselves, that an equality of fortune would banish luxury and superfluous consumption. Among the rest, is M. de Montesquieu, an author for whom I have the highest

esteem, and who has, in this respect, been copied by many others. But I never found his idea set in a clear light. Equality of fortune would certainly change the nature of luxury, it would diminish the consumption of some, and would augment the consumption of others; but without making people idle, it could never destroy industry itself, and while this subsists in an equal degree, there must be the same quantity of what it produces regularly consumed. Farther, this proposition never can be advanced, but on the supposition that the luxurious person, that is the consumer, must be richer than he who supplies him. This I cannot by any means admit to be true. Must the carter who drinks a pot of beer be richer than the alehouseman? Must a country girl who buys a bit of ribband, be richer than the haberdasher who sells it? Must the beau be richer than his taylor? the traveller than the banker who gives him his money? the client than the lawyer? the sick than the physician?

How then does it appear that equality must prevent luxury, unless we suppose every one confined to an absolute physical-necessary, and either deprived of the faculty of contriving, or of the power of acquiring any thing beyond it. This principle Lycurgus alone laid down for the basis of his republic; and yet riches were known in Sparta as well as poverty.

Absolute equality, *de facto*, is an absurd supposition, if applied to human society. Must not frugality amass, and prodigality dissipate? These opposite dispositions, are of themselves sufficient to destroy at

once, the best regulations for supporting equality, and, when carried to a certain length, must substitute in its place as great an inequality as the quantity of circulation is capable to produce. Whatever circulates, may stagnate. Why was there so great equality at Sparta? because there was little circulation. Why are the Capucins in a state of perfect equality? because among them there is no circulation at all.

If therefore such variations in the balance of wealth depend on the difference of *genius* among men, what scheme can be laid down for preserving equality, better than that of an unlimited industry equivalent to an universal circulation of all property, whereby dissipation may correct the effects of hoarding, and hoarding again those of dissipation? This is the most effectual remedy both against poverty and overgrown riches? because the rich and the poor are thereby perpetually made to change conditions. In these alterations in their respective situations, the parties who are changing by degrees, must surely in their progress towards a total alteration become, at one time or other, upon a level, that is, to an equality; as the buckets in a well meet, before they can pass one another.

3tio. The first species of things incorporeal, which may be purchased with money, is personal service; such as the attendance of a menial servant, the advice of a physician, of a lawyer, the assistance of skilful people in order to acquire knowledge, the service of those employed in the administration of public affairs at home and abroad, or for the defence of a kingdom by sea, or land; the residence of great

men at court, who do honor to princes, and make their authority respected; and even when money is given to procure amusement, pleasure, or dissipation, when no durable and transferable value is given in return.

There is a kind of resemblance between the species here enumerated, and what we called the *useful value* in consumable commodities. In the one and the other, there is an equivalent given for a man's time usefully employed; but the difference between them lies in this: that the *useful value* being supported, or having for a substratum, as the schoolmen call it, the intrinsic substance, is thereby rendered permanent and vendible; whereas here, for want of a permanent and transferable substance, the personal services though producing advantages which are sufficiently felt, cannot however be transferred for the adequate price they cost.

The circulation produced by this third species of acquisition, operates an instantaneous vibration of the balance. The moment the personal service is performed, it may be said to be consumed; and although the purchaser has received a just equivalent for the money given, and in some cases may even be thereby put in a situation to indemnify himself of all his expense, by performing the like services to others, yet every body must perceive that such services cannot properly be considered as a circulation of the former.

4to. The acquisition of the other species of things incorporeal, that is rights, produces little more balance, when an adequate circulating equivalent

is given for them, than the sale of land; because a right implies no more than a power to use, that is, to consume; and by the use, the right is not diminished: it is balanced by the use of the money; the money therefore and the right being both permanent, there is no vibration in the scales. Of this species are all servitudes; the purchasing of privileges or immunities, even the lending of money at interest, may here not improperly be classed.

Here it will, perhaps, be alledged, that an example be given, where the creation of such a right, though purchased with an adequate circulating equivalent, produces the greatest vibration in the balance of wealth possible. It is when a state contracts debts, and when the public creditors acquire a right to general impositions on the people for the payment of their interest.

This objection requires a little explanation, and I have proposed it chiefly for the sake of introducing an illustration of my subject.

If it be said, that in this example a vibration in the balance of wealth *within the state* is implied, then I say that it must take place either 1st. between the creditors and the state, or 2d. between the state and the people, or 3d. between the creditors and the people, But.

1mo. The creditors acquire no balance against the state, because they have given one inconfumable commodity for another; to wit, money for an annual income. The money is worth the income, the income is worth the money. If therefore any change in the balance comes afterwards to take place, it

must be in consequence of other operations quite independent of this transaction. But let us suppose, which is but too frequently the case, that here money must be considered as a consumable commodity, because it is only borrowed to be spent. In this light does not the creditor seem to acquire a balance in his favor against the state, so soon as the money is actually spent. I answer in the negative: because a state by expending the money borrowed, remains with respect to the creditors just as wealthy as before. It is the people who pay the interest, for which the state gives them in return no adequate *transferable* equivalent.

2^{do}. Here it is urged, that this being the case, the state has acquired a balance against the people according to the principles above laid down, where it was said, that upon occasions, where money is given for personal service, and where nothing transferable is given in return, the balance turns instantaneously in favor of him who received the money.

To this I answer, that as to the interest paid by the people, the state does not receive it for herself, but for the creditors. The personal services are then supposed to be already paid for, and the vibration has taken place before the interest becomes due. Therefore the balance does not turn between the state and the people.

In levying of taxes which are destined to pay the interest of money already spent, the public gives no adequate equivalent on one hand; and on

the other, it is not enriched with respect to the people, any more than it was impoverished with respect to the creditors, by spending the money borrowed; and since there is no reciprocal change in the situation of the two parties, I do not see how we can infer any vibration in the balance of wealth between them. We shall presently see between whom the balance is made to vibrate.

3tio. The balance between the creditors and the people is what at first sight appears to be principally affected; because the first receive a constant retribution from the latter, in consequence of the loan. But neither is any true vibration found here, either adequate to the loan, or to the money spent. *1mo.* Because the creditors themselves are part of the people who contribute towards all impositions on consumptions, which are commonly the most regular, the most permanent, and the most familiarly appropriated for the payment of the interest. *2do.* Because the money spent by the state, if spent at home, returns to other hands indeed, but still returns to the people, of whom we are here speaking. And *3tio.* because there is no transaction at all between the creditors and the people.

Objection. By this way of reasoning it would appear, that the exhausting a people by taxes, makes no vibration in the balance of their wealth.

Answer. If the people be exhausted, it must be by enriching strangers. This case should at present be excluded, as we have laid aside the consideration of foreign relations. But allowing this circumstance also to be implied in the objections

made, I agree that every penny of money sent out of a country, for no real and permanent equivalent received in return, operates a vibration in the wealth between nation and nation; but none between subject and subject. To this it is answered, that when taxes are high, many people are ruined while others are enriched. This operates a vibration. I allow it; but then I reply, that by the very supposition in every such case, the money must remain at home; whereas in the former, it was supposed to be expended abroad. Now we are not at present examining the effects of debts and taxes, in changing the balance between man and man, but only between the three cumulative interests above specified, the state, the people, and the creditors.

Let me now ask, what is the effect of taxes on the vibration of the balance of wealth between individuals?

I answer, that whoever pays a tax, appears to pay for a personal service. He receives no corporeal equivalent which can be alienated by him for the same value; and he who is employed by the state, and is paid with the produce of taxes, acquires a balance in his favor against those who pay them. When the amount of taxes goes abroad for foreign services, there can be no alteration upon the balance at home, as has been said; neither is there any when it remains at home: the people and the creditors are as rich as before. Let this suffice at present, as to the effects of debts and taxes upon the balance of national wealth.

Industry

Industry is the only method of making wealth circulate, so as to change its balance between the parties; all kinds of circulation which operate no such change, are foreign to the present purpose.

A man dies and leaves his wealth to another; nobody loses by this, but he who is no more; a second pays his debts; neither debtor, or creditor can be said to change circumstances by the operation. A merchant buys a quantity of merchandize for ready money, he thereby loses no balance of his wealth; it is true he has given money for consumable effects; but the balance does not operate until the consumption takes place, and as he is not supposed to buy in order to consume, I rank this branch of circulation among those which do not influence the balance.

Thus we find two different kinds of circulation in a state; one which makes the balance turn, and one which does not. These objects are of no small consequence to be attended to in the right imposition of taxes, as shall, in its proper place, be more fully explained. At present it is sufficient to observe, that the proper time of laying on taxes is at the time of circulation: because the imposition may then be always exactly proportioned to the sum circulating; consequently, to the faculties of the persons severally interested.

In all excises, or taxes upon consumption, it is the money of the consumer which is taxed, in the instant of the payment; so that he against whom the balance is to turn, has the additional load to pay. This species of tax, imposed at the time of circulation, is what produces the largest sums to a state. I never heard of

a proper expedient for taxing the person in whose favor the balance is to turn, though from the principles which are afterwards to be laid down, we may perhaps discover one.

As for the other species of circulation, where the balance does not turn, it is not so much the custom to impose very considerable taxes upon it: there are however several examples to be met with, which point out how they may be imposed. The casualties paid upon the change of vassals, or upon the fall of lives, in leases upon lands in England; the confirmation of testaments in Scotland; investitures in Germany; the *centième denier*, the *lots & ventes*, and the *contrôle* upon the acts of notaries in France; the emoluments of the *Rota* in Spain, and in many Roman Catholic countries, are of this species. Upon the same principle, taxes more or less considerable might be laid upon every branch of this kind of circulation; for which purpose, it would be highly necessary to find out all the ramifications of it, by analyzing it to the bottom, as we have hitherto run through it very superficially.

C H A P. XXVII.

Circulation and the Balance of Wealth, objects worthy of the attention of a modern Statesman.

HAVING explained the nature of circulation, and of this balance, we are next to point out the objects of a statesman's attention concerning them.

I. *He ought to form to himself a clear and distinct idea of the nature, properties, and effects of circulation; a word frequently made use of without much meaning, and in a vague and undetermined sense.*

The term *circulation* is, perhaps, one of the most expressive in any language, and is therefore easily understood. It represents the successive transition of money, or transferable commodities, from hand to hand, and their return, as it were in a circle, to the point from which they set out. This is the rough idea which every one, who understands the word at all, must form of its meaning. But a statesman's perceptions must be more accurate as well as more complex.

He must combine the consequences which result from this successive transition, and attend to the effects produced by it. He must not only consider the money, which is a permanent value, passing from hand to hand, but weigh the consequences of the variety of consumption which it draws along with it, in its progress.

Before a guinea can travel from London to York, it may be the means of consuming a thousand times its value, and as much more, before it can return to London again. Every step the guinea makes in its course, marks a want of desire to consume, in him who possesses it. If, therefore, in any country, there were but one guinea in circulation, all consumption would stop (or barter would take place) the moment it fell into the hands of a miser. This leads us to the second object of a statesman's attention.

II. *He ought at all times to maintain a just propor-*

tion between the produce of industry, and the quantity of circulating equivalent, in the hands of his subjects, for the purchase of it; that, by a steady and judicious administration, he may have it in his power at all times, either to check prodigality and hurtful luxury, or to extend industry and domestic consumption, according as the circumstances of his people shall require the one or the other corrective, to be applied to the natural bent and spirit of the times.

For this purpose, he must examine the situation of his country, relatively to three objects, viz. the propensity of the rich to consume; the disposition of the poor to be industrious; and the proportion of circulating money, with respect to the one and the other.

If the quantity of money in circulation is below the proportion of the two first, industry will never be able to exert itself; because the equivalent in the hands of the consumers, is then below the proportion of their desires to consume, and of those of the industrious to produce. Let me illustrate this by a familiar example taken from a party at quadrille.

When, on dealing the cards, every one puts in a fish into the stake, according to the old English fashion, a very few are sufficient for the circulation of the game: but when you play the aces, the consolation and the multiplication of beasts according to the French custom, you must have a box with contracts, fishes, and counters; so reducing all to the lowest denomination, every player has occasion for above five hundred marks. It is therefore plain, that the number of marks must be in proportion to the circu-

lation of the game. But at play, as in a state, circumstances render this circulation very irregular. Fortune may run so equally among the players, during a considerable time, that none of them may have occasion to pay away above the value of a hundred counters, and while this equality continues, there is not found the smallest interruption in the circulation. But let one of the players have a run of luck, you will soon see three of the boxes empty, and all the circulating marks heaped up before the winner. Fortune at quadrille, forms stagnations of the circulating equivalent, as industry and frugality form them in a state. At this period of the game, must not the players stop, or must they not fall upon a way of drawing back their marks into circulation? If they borrow back from the winner, this represents loan. If they buy back their marks with money from their purses, it represents what I call throwing solid property into circulation.

From this familiar example, we may judge how necessary it is that the circulating fund be constantly kept up to the proportion of the occasions for it. It is impossible to determine the proportion of coin necessary for carrying on the circulation of a country especially of one where neither loan, or paper credit that is the melting down of solid property, are familiarly known. Here is the reason: the solution of the question does not depend upon the quantity of coin alone, but also upon the disposition of those who are the possessors of it; and as these are constantly changing, the question thereby becomes insoluble.

It is, therefore, the business of a statesman, who intends to promote circulation, to be upon his guard against every cause of stagnation; and when he has it not in his power to remove these political obstructions, as I may call them, by drawing the coin of the country out of its repositories; he ought (in proportion as the other political interests of his people are found to require it) to facilitate the introduction of symbolical money to supply its place.

A great political genius is better discovered by the extent of his perceptions, than by the minute exactness of them in every part of the detail. It is far better for a statesman to be able to discern (though superficially) every object of government under all its relations, than to be able to trace any one with the greatest accuracy. This is apt to occupy him too much, and no one relation should ever engross his whole attention.

I cannot omit in this place taking notice of a very judicious remark of M. de Melon, an eminent political French writer, who was employed by the Duke of Orleans in state affairs, during his regency of the kingdom.

“ It belongs only (says he) to one who has had
“ the direction of every branch of government to lay
“ down a general plan of administration, and even
“ then, one must not expect from such a person, very
“ particular details with respect to many objects, of
“ which he himself is entirely ignorant, and which
“ he has been obliged to confide to the care of others
“ subordinate to him. A person who can stoop to a
“ minute exactness in small affairs, proves commonly

“ very unequal to the administration of great ones.
 “ It is enough for such a person to know principles
 “ by experience and reflection, and to apply funda-
 “ mental maxims as occasion requires.”

I apply this observation to the point in hand. A statesman who allows himself to be entirely taken up in promoting circulation, and the advancement of every species of luxurious consumption, may carry matters too far, and destroy the industry he wishes to promote. This is the case, when the consequences of domestic consumption raises prices, and thereby hurts exportation.

A principal object of his attention must therefore be, to judge when it is proper to encourage consumption, in favor of industry; and when to discourage it, in favor of a reformation upon the growth of luxury.

If the country he governs be in a state of simplicity, and that he wishes to awaken a taste for industry and refinement, he must, as has been said, encourage domestic consumption, for the sake of multiplying, and giving bread to the industrious; he must facilitate circulation, by drawing into the hands of the public what coin there is in the country, in case he finds any part of it locked up; and he must supply the actual deficiency of the metals, by such a proportion of paper credit, as may abundantly supply the deficiency.

In every country where simplicity prevails, and where there is any considerable quantity of coin, a great proportion of it must be locked up: because the consumption there must be small; conse-

quently, little circulation; consequently, either little coin, or many treasures. In such cases, therefore, a statesman must engage the possessors of these riches to part with them, at the desire of those who can give security for their worth: and he must establish the standard of an annual retribution for the loan. If this be difficult to be brought about, from the want of confidence in the monied men, he may, in their favor, contrive expedients to become the borrower himself, at the expense of the alienation of certain rights, or the creation of new privileges, in lieu of interest; and when he has engaged them to part with their coin, he may lend it out to such as have both solid property and a desire to consume; but who, for want of a circulating fund to purchase superfluities, have hitherto lived in simplicity.

The introduction, therefore, of loans upon interest, is a very good expedient to accelerate circulation, and give birth to industry.

OBJ. But here it is objected, that such a plan is looked upon by some nations to be contrary to the precepts of the christian religion, and therefore a statesman cannot permit it.

To this I can make no answer, because I am no casuist; but I can propose an expedient which will supply the defect of borrowing at interest; and as it may serve to illustrate the principles I am now upon, I shall here introduce it.

The intention of permitting loans upon interest, is not to provide a revenue to those who have ready money locked up, but to obtain the use of a

circulating equivalent to those who have a sufficient security to pledge for it. If the statesman, therefore, shall find himself withheld by the canons of his church, from drawing the coin of his subjects into circulation, by permitting the loan of it upon interest, nothing is more easy than to invent another species of circulation, where no interest at all is necessary.

Let him open an office, where every proprietor of lands may receive, by virtue of a mortgage thereon, a certain proportional value of circulating paper of different denominations, the most proper for circulation. He may therein specify a term of payment in favor of the debtor, to give him an opportunity to call in his obligation, and relieve the engagement of his property. But that term being elapsed, the land is to belong to the creditor, or the paper to become payable by the state, if required, which may in consequence become authorized either to sell the land engaged, or to retain a proportional value of the income, or of the property of the land itself, as shall be judged most expedient.

Farther, let him constitute a real security for all debts upon every species of solid property, with the greatest facility in the liquidation of them, in favor of those who shall have given credit to the proprietors for merchandise of any kind. To compass this, let all entails, substitutions, and *fidei commissa*, or trusts, restraining the alienation of land-property, be dissolved; and let such property be rendered as saleable as household furniture. Let such principles influence the spirit of the government; let this sort of paper credit be modified

and extended according to circumstances, and a taste for consumption will soon take place.

The greatest of all obstacles to industry in its infancy, is the general want of credit on both sides. The consumers having no circulating value, the difficulty of liquidating what they owe by the alienation of their lands, prevents their getting credit; and the many examples of industrious people giving way, on account of bad payments, discourages others from assisting them in the beginning of their undertaking.

From these principles we may gather, that a statesman who intends to increase industry and domestic consumption, should set out by providing a circulating fund of one kind or other, which ought always to be ready, and constantly at the command of those who have any sort of real equivalent to give for the consumption they incline to make: for as specie may often times be wanting, a contrivance must be fallen upon immediately to supply that want.

The utility of this kind of credit, or paper money, is principally at the instant of its entering into circulation, because it is then only that it supplies the want of real specie; and by this invention, the desire to consume creates, as it were, the circulating equivalent, without which the alienation of the produce of industry would not have taken place; consequently, the industry itself would have suffered a check.

But in the after circulation of this paper money from hand to hand, this utility comes to cease; because the subsequent consumer, who has another

man's paper to give in exchange, is already provided with a circulating equivalent, and therefore were it not for the wearing of the specie, or difficulty of procuring it, it is quite indifferent both to the state, as well as to circulation, whether this paper continues to pass current, or whether it be taken up, and realized by the debtor, and gold and silver be made to circulate in its place.

Let me now endeavour to make this whole doctrine still more plain, by an example.

Suppose a country where there is a million of pieces of gold employed necessarily in carrying on the ordinary circulation, a million of pieces of the same value locked up, because the proprietors have no desire to spend them. Suppose the revenue of the solid property of the country to be worth also a million a year; and that if the fund itself could be sold, it might be worth twenty millions of the same specie. Suppose no such thing as credit or paper money to be known, and that every man who inclines to make any consumption, must be provided previously with a part of the circulating million, before he can satisfy his inclination.

Under these circumstances, the statesman resolves to establish industry, and finding that by his people's taking a taste for a greater consumption, the million which was formerly sufficient for carrying on circulation, is no longer so; he proposes to those who have the other million locked up, to borrow it from them at 5 *per cent.* and the better to engage them to comply with his proposal, he offers to impose duties upon the whole of the inhabitants to the annual

amount of fifty thousand pieces of gold, to be paid annually to the creditors, in return for their treasure. If this scheme be adopted, he may lend out his million in small sums, to every one who inclines to borrow, upon good security ; or by premiums and other encouragements given to his infant manufactures, he may throw it into the hands of the public, that is, into circulation. Here is one method of increasing the quantity of a circulating fund, when an augmentation upon the consumption of the produce of industry comes to demand it.

But let us now suppose this regular plan of borrowing to be contrary to what is called the constitution of the state; to religion, or to the spirit of the people, what must be done to supply the place of such a scheme ?

The statesman must then fall upon another contrivance, by extending the use of pledges, and instead of moveables, accept of lands, houses, &c. The *Monte pietà* at Rome issues paper money upon moveable security deposited in their hands. Let the statesman, without exacting interest, do the same upon the lands of his subjects, the best of all securities. While the lands subsist, this paper money must retain its value ; because I suppose the regulations to be such as to make it convey an indisputable right to the lands engaged. The advantage of such an establishment will be, that as formerly no man could purchase the smallest produce of industry, without having a part of the circulating million of pieces of gold ; every body now who has an inclination to consume, may immediately procure money in pro-

portion to his worth, and receive in return whatever he desires to possess.

Now let me suppose that this paper money shall in time, and from the growing taste for superfluities, amount to the value of five millions of pieces of gold. I ask, whether the real value of this paper is any way diminished, because it exceeds, by far, all the gold and silver in the country, and consequently cannot all at once be liquidated by the means of the coin? Certainly not: because it does not draw its value from any representation of these metals, but from the lands to which it conveys a right. Next, I ask, if the country is thereby become any richer? I answer, also, in the negative: because the property of the lands, if sold, being supposed worth twenty millions, the proprietors of the paper are here supposed to have acquired, by their industry, five millions of the twenty; and no more than the remaining fifteen millions belong to the landlords.

Let us now suppose a million of this paper money to fall into the hands of those who have no inclination to spend it. This is the case of the frugal, or money hoarding persons, and they will naturally chuse to realize their paper, by taking possession of the lands represented by it. The moment this operation takes place, the million of paper money is annihilated, and the circulating capital is reduced to four millions of paper, and one million of specie. Suppose, on the other hand, that those who have treasures which they cannot lend at interest, seeing a paper money in circulation, which

conveys a right to solid property, shall purchase it with their million of pieces of gold, and then lay hold of a proportional part of the land: what effect will this double operation produce upon the circulating fund? I answer, that instead of being composed as formerly, of one million of coin and five millions of paper, it will, at first, on the buying up of the paper, consist of two millions of coin and five millions of paper; and so soon as the million of paper bought up comes to be realized upon the land, and thereby extinguished, the circulating coin will be two millions, and the paper will be reduced to four. Here then is a very rational method of drawing all the coin of the country from the treasures of the frugal, without the help of interest. Let me take one step farther, and then I will stop, that I may not too far anticipate the subject of the following book.

I suppose, that the statesman perceiving that the constant circulation of the coin insensibly wears it away, and reflecting that the value of it is entirely in proportion to its weight, and that the diminution of the mass must be an effectual diminution of the real riches of his country, shall call in the metals and deposit them in a treasure, and shall deliver, in their place, a paper money having a security upon the coin locked up. Is it not plain, that while the treasure remains, the paper circulated will carry along with it as real (though not so intrinsic) a value as the coin itself could have done? But if this treasure comes to be spent, what will the case be then? It is evident, that the paper conveying a right to the coin, will then as effectually lose

its value, as the other species of paper conveying a right to the lands, and issued, as we have supposed, by the proprietors of them, would have done, had an earthquake swallowed up, or a foreign conqueror seized the solid property engaged as a security for this paper.

The expedient, therefore, of symbolical money, which is no more than a species of what is called credit, is principally useful to encourage consumption, and to increase the demand for the produce of industry. And the bringing the largest quantity of coin possible into a country, cannot supply the want of it in this respect; because the credit is constantly at hand to every one who has property, and the other may fail them on a thousand occasions. A man who has credit may always purchase, though he may be many times without a shilling in his pocket.

Whenever, therefore, the interest of a state requires that the rich inhabitants should increase their consumption, in favor of the industrious poor; then the statesman should fall upon every method to maintain a proportion between the progress of industry, and the gradual augmentation of the circulating fund, by enabling the inhabitants to throw with ease their solid property into circulation whenever coin is found wanting. Here entails are pernicious.

On the other hand, when luxury begins to make too great a progress, and when it threatens to be prejudicial to foreign trade, then might solid property be rendered more unwieldy; and entails might then become useful: all moveable debts, except bills of exchange in foreign circulation, might be stripped

of their privileges, and particularly, as in France, of the right of arresting the person of the debtor. Usury ought then to be punished severely; even something like the *Senatus Consultum Macedonianum*, which made the contract of loan void on the side of the borrowers, while they remained under the power of their fathers, might be introduced. Merchants accounts should no more be allowed to enjoy a preference to other debts; but on the contrary, be made liable to a short prescription. In a word, domestic circulation should be clogged, and foreign circulation accelerated. When foreign trade again comes to a stop, then the former plan may be taken up a-new, and domestic circulation accelerated and facilitated, in proportion as the produce of industry and taste of superfluity require it.

III. *A statesman ought carefully to distinguish between those branches of circulation which operate a vibration in the balance of wealth, and those which do not, in order to regulate the taxes which he may think proper to lay upon his people.*

In treating of this third object of a statesman's attention, I shall confine myself to the application of those principles which point out the necessity of taxation among a luxurious people, become wealthy by the means of trade, where the industrious can no longer be made to subsist but by means of a great domestic circulation, which is the object of our present inquiry.

In every case where the balance of wealth is made to vibrate by circulation, there is an opportunity of imposing a tax upon consumptions, perfectly proportioned

portioned to the quantity of the circulation. Now by the imposition of taxes, and the right employment of the amount of them, a statesman has it in his power to retard or to promote the consumption of any branch of industry. By the imposition of duties he may either check luxury when he finds it calling off too many hands from other more necessary occupations; or by granting premiums, he may promote consumption or exportation upon branches where it is expedient to increase the hands employed, which last is the reverse of taxation; or in the third place, when foreign trade begins to bear a small proportion to domestic consumption, he may profit of luxury, and draw a part of the wealth of the luxurious into the public treasure, by *gently* augmenting the impositions upon it; for when taxes are gently increased, consumption is not checked; consequently, this is the proper method to be followed, when luxury does no harm. But when it proves hurtful, the rise in the impositions should be sudden, that they may operate the effects of violent revolutions which are always accompanied with inconveniencies, and on such occasions every inconvenience will mark the success of the operation. An example will make this plain.

If you want to check the drinking of spirituous liquors, let every alteration of your economy concerning them, either as to the impositions upon the consumption, or regulations in the retailing them, proceed by jerks as it were; if you want to increase the revenue, from the propensity people have to poison themselves with spirits, your augmentations and alterations may be gentle and progressive.

Here let me observe by the way , that the best method for a statesman to curb any sort of vice among his people , is to set out by facilitating the gratification of it , in order to bring it once upon a regular and systematical footing , and then by sudden and violent revolutions in the administration of the economy of it , to destroy it and root it out.

Were all the strumpets in London received into a large and convenient building , whither the dissolute might repair for a while with secrecy and security , in a short time , no loose women would be found in the streets. And it cannot be doubted , but that by having them all together under certain regulations , which might render their lives more easy than they are at present , the progress of debauchery , and its hurtful consequences , might in a great measure be prevented. At Paris , they are to be found in their houses , because the police never troubles them there while they commit no riot or disturbance. But when they are persecuted in their habitations , they break forth into the streets , and by the open exercise of their profession , the delicacy of modesty is universally hurt and but too frequently blunted , and the example that those prostitutes openly set to their own sex , debauches more women than all the rakes in town do.

I hope this digression will not be misconstrued into an apology for public stews , where , in place of following good regulations for suppressing the vices with which they are filled , the principal object is frequently to encourage the abuses for

the sake of making them turn to account as a branch of revenue. Such a plan of administration represents a statesman who turns against his people, those arms which he had provided for their defence. My intention is very different, it is to curb vice as much as possible, and to shut up what cannot be rooted out within the bounds of order, and to remove it as a nuisance from the eyes of the public, and from the contagious imitation of the innocent. I now come to the object of a statesman's attention, relative to that branch of circulation which implies no vibration of the balance of wealth between the parties concerned.

The more perfect and the more extended any statesman's knowledge is of the circumstances and situation of every individual in the state which he governs, the more he has it in his power to do them good or harm. I always suppose his inclinations to be virtuous and benevolent.

The circulation of large sums of money brings riches to light for a moment, which before and after are commonly hid from the eyes of the public. Those branches of property therefore, which have once made their appearance in this species of circulation, should not be lost sight of until they come naturally to melt away, by returning into the other branch of which we have been speaking; that is, until they are fairly spent, and the balance be made to turn against the former proprietors of them. After this revolution, they will

circulate for a while in small sums, and remain imperceptible, but in time they will come to form new stagnations; then they will be lent out again, or employed in the purchase of lands; and falling once more under the eyes of the state, they will again become an object of the same attention as formerly.

Nothing is more reasonable, than that all property which produces an annual determined income, should be made to contribute to the common burdens of a state. But those taxes which are intended to operate upon so moveable a property as ready money, ought to be imposed with a most gentle hand, and even so as not to appear directly to affect it. The statesman here must load his wealthy citizens with duties, as Horace loads his sovereign with adulation, never addressing his compliments directly to the emperor, but conveying them to him in the most elegant manner, through the channel of an interposed person. Thus people possessing large capitals of ready money, which in a moment they can transport beyond the reach of the most extended jurisdiction, may have certain privileges granted them which may attach them to the country (in England, for example, a vote in a county or borough) and then in consequence of their rank, not because of their money, be made to come under a sort of capitation, or other similar imposition bearing another name. Might not the creditors of that nation be represented in parliament, and in consequence of so great a privilege, and the additional security thereby granted to the funds, be made afterwards to

come under taxations as well as other proprietors of a determined revenue. An admirable hint for the imposition of such taxes, is to be met with in a certain great European monarchy, where the highest order of knighthood is distinguished with a ribband, a star, and a pension of about a hundred and thirty pounds sterling a year. But so soon as any one is raised to that dignity, he pays exactly that very sum in lieu of capitation. The pension was given by the prince who instituted the order; the capitation followed in a subsequent reign, and now appears rather a mark of distinction than a burden.

IV. *The next object of a statesman's attention proper to be taken notice of, is the different political considerations which must occur to him when he compares the turning of the balance of wealth against the industrious members of a state, with those vibrations which take place against the not working part of the inhabitants. In other words, the different effect of taxes, as they severally affect those who consume in order to reproduce, and those who consume in order to gratify their desires.*

The one and the other consumption implies a vibration in the balance of wealth, and whenever there is a vibration, there we have said that a proportional tax may be imposed.

But as the intention of taxes, as I understand them, is only to advance the public good, (by throwing a part of the wealth of the rich into the hands of the industrious poor, and not to exhaust one part of a nation to enrich another, no necessary article of consumption should be taxed to an industrious person, but in such a way as to enable him to draw

the full amount of it, from those who consume his work. By this means, the whole load of taxes must fall upon the other category of inhabitants, to wit, those who live upon the produce of a fund already acquired.

Let me here observe, by the way, that if taxes are rightly laid on, no industrious person, any more than another who lives upon his income, will ever be able to draw back one farthing of such impositions as he has paid *upon his consumption of superfluity*. This shall in its proper place be made sufficiently plain; at present it would be a superfluous anticipation of the doctrine of taxation, to point out the methods of compassing this end. My intention at present is only to recapitulate the objects of a statesman's attention, with regard to the consequences of circulation, and the vibrations of the balance of wealth; and having shown how nearly those principles are connected with those of taxation, this alone is sufficient to show their importance.

V. *A statesman ought to attend to the difference between the foreign and domestic circulation of the national wealth.*

This object, though in part relative to foreign commerce, must not be passed over without observation. In fact, there is no nation entirely deprived of foreign communications; therefore, although a statesman, who is at the head of a luxurious people, may act in general as if there were none at all, yet still he must be attentive to the consequences of circulation with his neighbours, in so far as it takes place.

Every commercial correspondence with foreign

nations, not carried on by the exchange of consumable commodities, must produce a vibration of the balance of wealth, either in favor or prejudice of the interest we have in our eye. But it does not follow, because there is a vibration, that therefore a statesman has the same liberty of imposing taxes upon every article of consumption, as if the two scales were vibrating within the country subject to his administration.

When the consumers are his subjects, he may safely impose the tax, and if he raises it by degrees, so high as to diminish the consumption, and reduce the amount of the imposition, he will probably gain on the other hand, by discouraging the foreign importation, and by keeping the nation's wealth at home, more than he possibly could have got by the amount of his tax, in consequence of the dissipation of it.

When the foreigners are the consumers, the case is very different; for you cannot oblige a man who is not your subject, to pay beyond the advantage he gains by your correspondence. It is therefore, as has been said, only upon the exportation of goods, where the nation has great natural advantages over her neighbours, that any duty can be raised.

VI. The last object I shall mention as worthy of a statesman's attention, is, *the rules of conduct he should prescribe to himself, as to the extending or contracting taxation, according as he finds a variation in the proportion between the FOREIGN and DOMESTIC circulation of his country.*

For this purpose he must know exactly the proportions of the one and the other; he must compare the quantity of domestic consumption, with the produce of industry and quantity of importations.

If domestic consumption be equal to the sum of both, the country must annually lose the value imported. In this case, taxes are to be raised by sudden jerks, especially upon importations; not to increase the produce of them, but to prevent the increase of luxury, and dissipation of national wealth.

If domestic consumption do not exceed the produce of industry, this will prove that exportation is at least equal to importation. In this case the exportation must be supported; and when that can no otherwise be done, a part of the taxes levied upon home consumption must be distributed in premiums upon the articles of exportation; and when this also becomes ineffectual, then all importations for consumption must be cut off, according to the principles above laid down.

If the domestic consumption should really fall short of the produce of industry, it marks a flourishing foreign trade. Prices then must be kept low, as has been abundantly explained; consequently, there will be less profit from taxes; because every penny imposed, which affects the price of exportable goods, must be refunded out of the net produce of them, and all the expense of collecting that part is entirely lost to the public: the remainder, therefore, will be greater or less, according as foreign trade is great or small.

In proportion, therefore, as domestic circulation

gains ground upon the foreign, taxes become necessary; in order, with the amount of them, to correct the bad effects of luxury, in raising prices, by giving larger premiums to support exportation. And in proportion as a statesman's endeavours to support the trade of his country becomes ineffectual, from the growing taste of dissipation in his subjects, the utility of an opulent exchequer will be more and more discovered; as he will be thereby enabled to support his authority against the influence of the great load of riches thrown into domestic circulation, and to defend his luxurious and wealthy subjects from the effects of the jealousy of those nations which enriched them.

To conclude, the exportation of work, and the supporting a superiority in the competition of foreign markets (as has been said, and as shall be farther explained) seem to be the most rational inducements to engage a statesman to begin a scheme of imposing considerable taxes upon his people, while they enjoy any share of foreign commerce. If such taxes continue to subsist after the extinction of it, and are then found necessary; this necessity is itself a consequence of the change made on the spirit and manners of a people become rich and luxurious.

The charge of government, under such circumstances, must greatly increase, as well as the price of every thing. Is it not very natural, that he who is employed by the state should receive an equivalent proportioned to the value of his services? Is it to be supposed, that a person born in a high rank, who, from this circumstance alone, acquires

an advantage, in most nations, hardly to be made up by any acquired abilities, will dedicate his time and his attendance for the remuneration which might satisfy his inferiors? The talents of great men deserve reward as much as those of the lowest among the industrious; and the state is with reason made to pay for every service she receives. This circulation of an adequate equivalent, we have said to be the palladium of liberty, the band of gentle dependence among freemen; and the same spirit ought to animate every part of the political body. That *nothing is to be done for nothing*, is a fundamental political maxim in every free government, and obligations, not liquidated by a just equivalent, form pretensions beyond their worth; and are constantly accompanied with discontent at one time or other.

Another use of taxes, after the extinction of foreign trade, is to assist circulation, by performing, as it were, the function of the heart of a child, when at its birth that of the mother can be of no farther use to it. The public treasure, by receiving from the amount of taxes, a continual flux of money, may throw it out into the most proper channels, and thereby keep that industry alive, which formerly flourished, and alone depended upon the prosperity of foreign commerce.

In proportion, therefore, as a statesman perceives the rivers of wealth, (as we have called them above) which were in brisk circulation with all the world, begin to flow abroad more slowly, and to form stagnations, which break out into domestic circu-

lation, he ought to set a plan of taxation on foot, as a fund for premiums to indemnify exportation for the loss it must sustain from the rise of prices, occasioned by luxury; and also for securing the state itself, against the influence of domestic riches, as well as for recompensing those who are employed in its service.

This system ought to be carried on and extended, in proportion to the decay of foreign trade; and when this comes in a manner to cease, then the increase of taxes, and the judicious application of them, going hand in hand, the state itself will support circulation, by receiving with one hand, and giving out with the other; until by a prudent management under the care and direction of an able statesman, through time and perseverance, every internal vice be corrected, and foreign commerce be made to flourish once more, from the principles we have been laying down, and from what may be farther said to illustrate them in the subsequent books of this inquiry.

While industry is kept alive there is still ground for hope. Manners change, and the same luxury which extinguished foreign trade, by calling home the wealth employed in that species of circulation, may afterwards, by keeping industry alive at home, and by throwing a sufficient power of wealth into the hands of a good statesman, render the recovery of that trade no difficult project, to one who has an instrument in his possession, so irresistible in removing every obstacle in the way of his undertaking.

This represents a new circulation; to wit, that

of the spirit and manners of a people, who, under the government of able statesmen, may prosper in every situation; and since, from the nature of man, no prosperity can be permanent, the next best thing to be done, is, to yield to the force which cannot be resisted; and, by address and management, reconduct a people to the height of their former prosperity, after having made them travel (as I may say) with as little inconvenience as possible, through all the stages of decline.

C H A P. XXVIII.

Circulation considered with regard to the rise and fall of the Price of Subsistence and Manufactures.

THE intention of this chapter is to apply the principles we have been in search of, to the solution of some questions, which have been treated by those great masters of political reasoning, Messrs. de Montesquieu and Hume. The ideas they have broached are so pretty, and the theory they have laid down for determining the rise and fall of prices so simple, and so extensive, that it is no wonder to see it adopted by almost every one who has writ after them.

I have not forgot how much I was pleased when first I perused these authors, from the easy distribution which a general theory enabled me to make of certain classes of my ideas then lying without order, in that great repository of human crudities, the memory; which frequently retains more materials, than people, commonly, have either time, or perhaps capacity rightly to digest.

I am very far from pretending to any superiority of understanding over those gentlemen whose opinions I intend to review : accident alone has led me to a more minute examination of the particular circumstances, upon which they have founded their general combinations ; and in consequence of my inquiries , I think I have discovered, that in this, as in every other part of the science of political economy , there is hardly such a thing as a general rule to be laid down.

There is no real or adequate proportion between the value of money and of goods ; and yet in every country we find one established. How is this to be accounted for ?

We have , in the fourth chapter of this book , already inquired into the principles which point out the influence of trade upon the variation of the price of goods ; but the question now comes to be, how to fix and determine the fundamental price, which is the object of variation. It has been said, that the price of a manufacture is to be known by the expense of living of the workman, the sum it costs him to bring his work to perfection , and his reasonable profit. We are now to examine what it is , which in all countries must determine the standard prices of these articles of the first necessity ; since the value of them does necessarily influence that of all others.

The best way to come at truth , in all questions of this nature , is , to simplify them as much as possible , that they may be first clearly understood.

Whenever a question arises about price , an alie-

nation is necessarily implied; and when we suppose a common standard in the price of any thing, we must suppose the alienation of it to be frequent and familiar. Now I must here observe, that in countries where simplicity reigns (which are those where the decision of this question ought regularly to be sought for, since it is there only where a complication of circumstances do not concur to raise the prices of subsistence) it is hardly possible to determine any standard for the price of articles of the first necessity.

Let us examine the state of those hunting Indians who live by their bow, and of other nations where the inhabitants exercise, I may say universally, that species of agriculture which I have called a direct method of subsistence, and we shall find, that the articles of food and necessaries are hardly found in commerce: no person purchases them; because the principal occupation of every body is to procure them for himself. What answer would a Scotch highlander have given any one, fifty years ago, who would have asked him, for how much he sold a quart of his milk, a dozen of his eggs, or a load of his turf? In many provinces, unacquainted with trade and industry, there are many things which bear no determined price; because they are seldom or never sold.

Sale alone can determine prices, and frequent sale can only fix a standard. Now the frequent sale of articles of the first necessity marks a distribution of inhabitants into *laborers*, and what we have called *free hands*. The first are those who produce the necessaries of life; the last are those who must buy

them: and as the fund with which they purchase is produced from their industry, it follows, that without industry there can be no sale of articles of subsistence, consequently, no standard price determined.

Another consequence of this reasoning, is, that the sale of subsistence implies a superfluity of it in the hands of the seller, and a proper equivalent for it in the hands of the buyer; and when the equivalent is not money, it also implies a superfluity of the produce of some sort of industry; consequently, by the exchange of superfluities upon certain articles, a man procures to himself a sufficiency upon every one. This represents that gentle dependence which unites the members of a free society.

Does it not follow from this analysis of the question, that the prices of articles of the first necessity, depend rather upon the occupation and distribution of the classes of inhabitants, than either upon the abundance of those necessaries, or of the money to purchase them; since many examples may be found, where these articles have borne little or no price, even in countries where money was not wanting. The reason therefore of low prices, is not the vast abundance of the things to be sold, but the little occasion any body has to buy them; every one being provided for them in one way or other, without being obliged to go to market.

How many familiar examples occur every where of this economy! do we not find in every country, even when the numbers of the industrious free are multiplied exceedingly, more than one half of the inhabitants fed directly from the earth? The whole

class of farmers does not go to market for subsistence. Ask a country gentleman the expence of his living, he will tell you the sum of money he yearly spends, perhaps the quantity of his rents in kind, which he consumes in his house, and the rent of the lands he holds himself in farm; but it will never come into his head to reckon the value of every chicken, sheep, or bullock, with which his farm provides him, which he consumes without estimation, and which in many countries he could not dispose of for any determined value.

From this I still conclude, that it is only in countries of industry where the standard prices of articles of the first necessity can be determined; and since in these, many circumstances concur to render them either higher or lower than in other countries, it follows, that in themselves they bear no determined proportion whatsoever, to the quantity of gold and silver in the country, as I hope presently to make still more evident.

What is it then which determines the standard value of these articles, in countries of industry? Here follows, in my humble opinion, the best answer to this question.

The standard price of subsistence is determined from two considerations. The first from the number of those who are obliged to buy, that is to say, of those who have them not of their own, and who are not provided with them, in lieu of service, by those who have. The second is, from the degree of employment found for those who are obliged to purchase them.

The

The *number* of the buyers of subsistence, nearly determines the *quantity* sold; because it is a necessary article, and must be provided in a determined proportion for every one: and the more the sale is frequent, the more the price is determined. Next as to the standard: this, I apprehend, must depend upon the faculties of the buyers; and these again must be determined by the extent of those of the greatest numbers of them; that is to say, by the extent of the faculties of the lower classes of the people. This is the reason why bread, in the greatest famine, never can rise above a certain price; for did it exceed the faculties of the great classes of a people, their demand must be withdrawn, which would leave the market overstocked for the consumption of the rich; consequently, such persons, who in times of scarcity are forced to starve, can only be such whose faculties fall, unfortunately, below the standard of those of the great class: consequently, in countries of industry, the price of subsistence never can rise beyond the powers to purchase of that numerous class who enjoy physical-necessaries; consequently, never to such an immoderate height as to starve considerable numbers of the people; a thing which very commonly happens in countries where industry is little known, where multitudes depend merely upon the charity of others, and who have no resource left, so soon as this comes to fail them.

The faculties, therefore, of those who labor for a physical-necessary, must, in industrious nations, determine the standard value of subsistence, and the value in money which they receive for

their work, will determine the standard of their faculties which must rise or fall according to the proportion of the demand for their labor.

By this exposition of the matter, I do not pretend to have dissipated every obscurity. The question still remains complex, as the nature of it requires it should do; and the solution of it depends upon farther considerations, which now lead me to the examination of the doctrine of Messrs. de Montesquieu and Hume, concerning the influence of riches upon the increase of prices. I shall begin by shortly laying this doctrine before my readers, in three propositions.

1^{mo}. The prices (say they) of commodities, are always proportioned to the plenty of money in the country. So that the augmentation of wealth, even fictitious, such as paper, affects the state of prices, *in proportion* to its quantity.

2^{do}. The coin and current money in a country, is the representation of all the labor and commodities of it. So that *in proportion* as there is more or less of this representation, (money) there goes a greater or less quantity of the thing represented (commodities, &c.) to the same quantity of it. From this it follows, that

3^{tio}. Increase commodities, they become cheaper; increase money, they rise in their value.

Nothing can be more beautiful than these ideas. They appear at first sight, sufficiently extensive to comprehend every variation of circumstances which can happen. Who was the first author of

this doctrine, I cannot say. I find it in Mr. Locke, and in the Spectator for the 19th of October, 1711; but they have been beautifully illustrated by Monfr. de Montesquieu; and Mr. Hume has extended the theory, and diversified it prettily in his political discourses; which have done much honor to that gentleman, and drawn the approbation of the learned world so much, that there is hardly a nation in Europe which has not the pleasure of reading them in their own language.

Upon examining this theory, when I came to treat of the matters it is calculated to influence, I found I could not make it answer to the principles I had pursued, in the most natural order in which I had been able to deduce them: and this consideration obliged me, with regret, to lay it aside, and to follow another, much more complex. I have already expressed the mortification I have always had upon finding myself forced to strike out a general rule, and this, of all others, had at first hit my fancy the most; but I am obliged to confess, that upon a close examination of the three propositions, I am obliged to range this ingenious exposition of a most interesting subject, among those general and superficial maxims which never fail to lead to error.

In order to set the matter in as clear a light as possible, I shall make a short application of my own principles, relating to the decision of the main question, the causes of the rise and fall of prices, and conclude my chapter with some remarks upon the three propositions above laid down, submitting the whole to the better judgment of my reader.

I have laid it down as a principle, that it is the complicated operations of demand and competition, which determines the standard price of every thing. If there be many laborers, and little demand, work will be cheap. If the increase of riches, therefore, have the effect of *raising* demand, work will increase in its value, because *there* competition is implied; but if it has only the effect of *augmenting* demand, prices will stand as formerly. What then will become of the additional quantity of coin, or paper money? I answer, that in both cases it will enter into circulation, in proportion to the *rise* or *augmentation* of demand; with this difference, that in the first case, it will have the effect of raising prices; because the supply is not supposed to augment in proportion: in the second, prices will stand as they were; because the supply is supposed to augment in proportion. These are the consequences of the augmentation of wealth, when it has the effect of either *raising* or *augmenting* demand. But if upon this revolution it be found that the state of demand remains without any variation, then *the additional coin* will probably be locked up, or converted into plate; because they who have it, not being inspired with a desire of increasing their consumption, and far less with the generous sentiment of giving their money away, their riches will remain without producing more effect than if they had remained in the mine. As for the paper money, so soon as it has served the first purpose of supplying the demand of him who borrowed it, (because he had at that time no coin) it will return upon the debtor in it, and be-

come realized; because of the little use found for it in carrying on circulation.

Let the specie of a country, therefore, be augmented or diminished, in ever so great a proportion, commodities will still rise and fall according to the principles of demand and competition, and these will constantly depend upon the inclinations of those who have *property* or any kind of *equivalent* whatsoever to give; but never upon the quantity of *coin* they are possessed of.

Let the quantity of the coin be ever so much increased, it is the desire of spending it alone, which will raise prices. Let it be diminished ever so low, while there is real property of any denomination in the country, and a competition to consume in those who possess it, prices will be high, by the means of barter, symbolical money, mutual prestations, and a thousand other inventions. Let me give an example.

Suppose a country where prices are determined, and where the specie is sufficient for the circulation: is it non plain, that if this country has a communication with other nations, there must be a proportion between the prices of many kinds of merchandize, there and elsewhere, and that the sudden augmentation or diminution of the specie, supposing it could of *itself* operate the effects of raising or sinking prices, would be restrained in its operation by foreign competition? But let us suppose it cut off from every communication whatsoever, which seems the only case, where this theory can operate with any appearance of justness, will any body

pretend, that the frugal or extravagant turn of the inhabitants, will have no influence upon prices, and will it be asserted, that no variation in the spirit of a people, as to frugality and dissipation, can take place, except upon a variation in the quantity of their gold and silver?

It may be answered, that as to articles of superfluity, no doubt the genius of a people may influence prices, in combination with the quantity of the specie; but that in articles of indispensable necessity, they must constantly remain in proportion to the mass of riches. This I cannot by any means admit to be just. Let me take the example of grain, which is the most familiar. Is it not plain, from what we have said above, that the proportion of wealth, found in the hands of the lowest class of the people, constantly regulates the price of it; consequently, let the rich be ever so wealthy, the price of subsistence can never rise above the faculties of the poor. And is it not also plain, that those of the lowest class of the people, *who purchase subsistence*; must buy it with the returns they receive from the rich for their industry? Now if the quantity of the wealth of the latter, does not regulate their demand for the service of the former, must it not follow, that the price of grain, as well as of every other thing offered to sale, must depend upon the degree of competition among the rich for the labor of the poor, that is, upon the demand for industry, and not on the quantity of wealth in the country?

No body ever denied, that the extraordinary demand for a commodity had the effect of raising the price of it: and certainly no body will deny, that the demand for a particular commodity may be greater at one time than at another, though the same quantity of that commodity be found at both times in the country; and the same quantity of specie likewise not only in the country, but also in circulation.

I acknowledge that in a country where there is much coin, and where credit is little known, a high and extraordinary demand for an article of superfluity, may raise the price more than in another where the coin is more scarce; because on certain occasions, the price of a thing has no other bounds than the extent of the faculties of the buyer. In like manner, in other countries where there is almost no coin, nor credit, it may be impossible for the highest demand to raise the price of such things even to the common standard established in those where there is great wealth. But these instances appear to be too particular to serve for the foundation of a general rule, with respect to the state of prices in the present situation of the nations of Europe, which, less or more, are all in communication with one another.

I cannot here omit taking notice of two very remarkable circumstances which we learn from undoubted historical authority, which seem to contradict one another, and to throw a great obscurity upon the principles I have been endeavouring to explain. I shall therefore introduce them by way of illustration, and when they are examined, I hope they will confirm my doctrine.

The first is, that in Scotland, formerly, when coin and credit were certainly very rare, the price of eight pounds weight of oat-meal, which is now commonly sold at eight pence sterling, was then valued at no more than two thirds of one penny: and that a laboring man used to receive one penny and one third of a penny sterling for his week's subsistence; that is to say, the value of sixteen pounds of oat-meal, which to this day is the regulated quantity given for that purpose.

There is a very curious confirmation of the authenticity of this computation, in an hospital at old Aberdeen; where in former times, some proprietors of lands had settled a certain quantity of oat-meal in favor of the poor of the hospital, with a liberty to the hospital to accept the meal in kind, or the conversion at two thirds of a penny for every eight pounds weight. They imprudently chose the last, and to this very day they are paid according to this standard. Now it is certainly impossible that any degree of plenty whatsoever, or any failing of demand, could at present reduce the price of that commodity so very low; consequently, it may be said that it is the augmentation of wealth, not that of demand which raises prices.

The second fact we learn from antiquity, that at the time when Greece and Rome abounded in wealth, when every rarity, and the work of the choicest artists was carried to an excessive price, an ox was bought for a mere trifle, and grain was cheaper perhaps than ever it was in Scotland.

If the application of our principles to the circum-

stances of those times, produce a solution of these apparent inconsistencies; and if we thereby can discover that the low prices of grain, both in Scotland, where there was little money, and at Rome where there was a great deal, was entirely owing to the little demand for articles of subsistence; will it not follow, that our principle is just, and that the other, notwithstanding of the ingenuity of the thought, must fail in exactness; since it will appear, that low prices may be equally compatible with wealth, and with poverty.

Now as to Scotland in former times, as in all countries where there is little industry; where the inhabitants are mostly fed directly from the earth, without any alienation of her fruits taking place; where agriculture is exercised purely as a method of subsisting; where rents are low, and where, consequently, the free hands, who live upon them for the price of their industry, must be few; the demand for grain in the public markets must be very small; consequently, prices will be very low, whether there be little, or whether there be much money in the country. The reason is plain. The demand is proportioned here, not to the number of those who consume, but of those who buy: now those who consume, are all the inhabitants, but those who buy, are only the few industrious who are free, and who gain an independent livelihood by their own labor and ingenuity: now the price of their week's subsistence was one penny one third, consequently the subsistence they bought could not rise above this standard.

Next, as to the state of Greece and Rome, where

slavery was established. Those who were fed by the labor of their own slaves, by those of the state, or by the grain gratuitously distributed to the people, had no occasion to go to market; consequently, they did not enter into competition with the buyers. Farther, the simplicity of manners, and the few manufactures then known, made wants in general less extensive; consequently, the number of the industrious free was small, and *they* were the only persons who *could* have occasion to purchase food and necessaries; consequently, the competition of the buyers must have been small in proportion, and prices low.

Add to this, the reflections which naturally present themselves upon examining the nature of providing the markets. These were supplied partly from the surplus produced upon the lands of the great men, labored by slaves; who being fed from the lands, the surplus cost in a manner nothing to the proprietors; and as the number of those who had occasion to buy, were very few, this surplus was sold cheap. Besides, the grain distributed to the people gratis, must necessarily have kept down the market, as a part of it would naturally, sometimes, be found superfluous to those who received it; and consequently, come to be sold in competition with that raised at private expense.

But when a fine mullet was brought to market, or when an artist appeared with a curious piece of work, the case was very different. There was plenty of money in the country, in the hands of the rich, who all appeared in competition for the preference; consequently, prices rose to an extravagant height.

The luxury of those times, though excessive, was confined to a few, and as money, in general, circulated but slowly through the hands of the multitude, it was constantly stagnating in those of the rich, who found no measure, but their own caprice, in regulating the prices of what they wished to possess, and had money to purchase.

From what has been said, it appears, that the riches of a country have no determined influence upon prices; although, I allow, they may accidentally affect them: and if we depart from the principles above laid down, to wit, that prices are regulated by the complicated operation of demand and competition, in order to follow the other, we must add a restriction (which I observe Mr. Hume has attended to on one occasion, although he has lost sight of it on several others) to wit, *that the price of every commodity is in proportion to the sum of money circulating in the market for that commodity*; which is *almost* my proposition in other words: for the money to be employed in the purchase of any commodity, is just the measure of the demand. But even here, the money in the market *destined* only for the purchase of a particular commodity, does not regulate the price of it. Nothing but the finishing of the transaction, that is, the convention between the buyer and seller, can determine the price, and this must depend upon inclination, not weight of money, as an example will make plain.

I shall suppose grain to have been at forty shillings *per* quarter, in a country market, for several months together, where the ordinary demand for

the current consumption is twenty quarters every market day. If at any time an extraordinary demand should happen, which may exceed all that is to be found in the market, there will be a competition among the buyers, which will have the effect of raising the market. Now, according to the doctrine of our learned authors, it may be said, that the corn rises in proportion to the quantity of the specie which is in the market, and that it is because of this increase of specie, that the grain rises in its price. I answer, first, allowing this to be true, can it be said, that a particular temporary, or perhaps accidental demand for a few quarters of corn, more than usual, implies any augmentation of the quantity of money in the country, or indeed the smallest variation either upon the total consumption, or quantity of grain contained in it? For if the demand has risen in one market, it must probably have diminished in another, as the same inhabitants cannot consume in two places. This I think every person must be convinced of, without farther illustration. But I say farther, that prices will not rise in proportion to the money in the market; but in proportion to the desire of acquiring grain in those who have that money.

Suppose the whole quantity of grain in the market to be thirty quarters; if there be no demand for more, these will be sold at forty shillings, as the twenty quarters would have been. But suppose the demand to be for sixty quarters, and that there is a hundred and twenty pounds sterling ready to be employed for corn, does it follow, that grain

will rise to four pounds a quarter, because the money in the market bears this proportion to the quantity of grain? Certainly not.

We must therefore, I think, adopt the other principle, and follow the proportions of demand and competition; and then we shall find, that if the sellers want to raise their price up to the proportion of the specie, all demand will cease, as effectually as if it had never been made; and the sellers will afterwards be obliged to accept of such a moderate augmentation as shall be in proportion *to the urgency of the demand*, but never in proportion *to the money* ready to be employed.

The circulation of every country, as we have shown above, must ever be *in proportion to the industry of the inhabitants, producing the commodities which come to market*: whatever part of these commodities is consumed by the very people who produce them, enters not into circulation, nor does it in anywise affect prices. If the coin of a country, therefore, falls below the *proportion* *) of the produce of industry *offered to sale*, industry itself will come to a stop; or inventions, such as symbolical money, will be fallen upon to provide an equivalent for it. But if the specie be found above the proportion of the industry, it will have no effect in raising prices, nor will it enter into circulation: it will be hoarded up in treasures, where it must wait not only the call of a desire in the proprietors to consume, but of the industrious to satisfy this call.

*) Let it be observed, that *proportion*, here, does not mean *value*.

We may therefore conclude, in consequence of the principles we have laid down, that whatever be the quantity of money in any nation, in correspondence with the rest of the world, there never can remain, *in circulation*, but a quantity nearly proportional to the consumption of the rich, and to the labor and industry of the poor inhabitants. The value of each particular species of which consumption is determined by a complication of circumstances at home and abroad; consequently, the proportion is not determined by the *quantity* of money actually in the country.

If the contrary is maintained, and if it be affirmed that the proportion between specie and manufactures is reciprocal and determined, then I am authorized to draw this conclusion, to wit: That if the *greatest* produce of industry *must* be sold for *what specie* is found in the country, *let the sum be ever so small*, so in like manner, the *smallest* produce of industry *must* be sold for *all the specie* found in the country, *let the sum be ever so great*. Consequently, in the first case, we must suppose, that the industrious will never seek for a better price from abroad; and in the second, that the monied people *must* spend all they have in supplying their most moderate wants, and never seek for cheaper merchandize than what they can find at home. Consequently, there can be no foreign trade, nor can there ever be any hoarding.

I shall now conclude my chapter, with a few observations upon the three propositions as they stand in their order.

PROP. 1. Prices are in proportion to the plenty

of money. And thus the augmenting even of fictitious wealth, such as paper, affects the state of prices, according to its quantity.

From this Mr. Hume disapproves of the introduction of paper money, when specie is wanting, and says, that if nothing were allowed to circulate but gold and silver, the quantity being less, prices would be lower.

This is neither more or less, in my humble opinion, than a project to destroy credit, with a view to support trade and industry. Because it would effectually prevent any person from making a consumption, except at the time he happened to be provided with ready money. Does the paper money in England, keep up the prices of grain at present, January 1759? And will not every article of necessaries fall, in a short time, as low in that country as in any other in Europe, if the same measures continue to be followed?

Were all paper money in that kingdom proscribed at once, no doubt the prices of many things would fall very considerably, but such a fall would neither be universal or equable. The reason of this fall would not be, because the specie would become proportionally divided among all the inhabitants, according to the value of their property; nor because of the small quantity of it, since prices abroad would still regulate many at home: but because of the sudden revolution, and the violent overturn thereby produced on the balance of work and demand. The scale of the first would preponderate to such a degree, that those classes of the industrious who work for daily subsistence in furnishing superfluities,

would enter into so strong a competition with one another, that their work would fall to nothing, while subsistence would remain at the price of exportation. If it be asked what could occasion this difference. I answer, because the workmen who supply superfluities, adapted to the taste of their nation, would find no more demand for them, from the want of credit, or of a circulating fund to buy with, and strangers would not profit of the fall in the price of a superfluity not adapted to their own taste; but they would very willingly become purchasers of every bushel of grain become superfluous, by starving so many of the inhabitants; and this would keep the price of subsistence upon a pretty even level with that of other countries.

But if we suppose all communication cut off with strangers, would this proportion between money and prices then hold true? By no means. Here is the reason: there are many ways of alienating goods or natural produce, without the assistance of specie. Immense quantities of both may be consumed by barter, or in lieu of service, where money is never heard of: now all this portion alienated, enters into the mass of what is called produce and manufactures which come to market; but can have no influence upon the specie, nor can specie have any upon it, since the money remains inactive during those operations.

Another reason is, that there is no such thing as preserving specie in an equal repartition, so as to serve the occasions of every body in proportion to their worth. The reason is manifest: money,
like

like every other thing, will come into the hands of those who give the greatest value for it, and when the quantity of it is small in any country, where nothing can be procured without it, such proprietors of lands as have the greatest desire to consume, will purchase the specie at a higher interest, or with more of their lands than others.

This alone is sufficient to prove that the repartition of specie can never be in proportion to property; and this also destroys the supposition of prices rising and falling, according to the proportion of it, even in a country cut off from every foreign communication. Here is the proof: any individual who has, by mortgaging his lands, got together a large proportion of the specie of his country, will raise prices in his neighbourhood, by making an extraordinary demand for work; and the rest of the same country, drained of their circulating value, must diminish their demand; consequently, prices will fall elsewhere. I now come to the second proposition.

The coin and current money of a country, is the *representation* of all its labor and commodities; so that in proportion as there is more or less of this *representation*, a greater or less quantity of it will go for the same quantity of the thing represented.

To this *representation* I cannot agree, and I apprehend it to be the source of error. A proper equivalent for labor and manufactures, may, in one sense, be called a *representation*; but there is no necessity for this equivalent to consist in coin. Are not meat and clothes an equivalent for personal service? Is not a free house and a bit of land, a very good equi-

valent for all the manufactures a country weaver can work up for me who am his landlord? If there were not one penny of coin in a country, would it follow, that there could be no alienation, or that every thing might there be got for nothing?

Coin has an intrinsic value; and when it comes into a country, it adds to the value of the country, as if a portion of territory were added to it: but it has no title to represent any thing vendible, by preference, or to be considered as the only equivalent for all things alienable. It is made a common price, on no other account than because of its rarity, its solidity, its being of a nature to circulate, and to suffer a correct division without end, and to carry its value along with it, which is a proper equivalent for every thing; and at the same time it is by its nature little liable to vary.

Were, indeed, a statesman to perform the operation of circulation and commerce, by calling in from time to time, all the proprietors of specie in one body, and all those of alienable commodities, workmen, &c. in another; and were he, after in forming himself of the respective quantities of each, to establish a general tariff of prices, according to our author's rule; this idea of *representation* might easily be admitted: because the parcels of manufactures would then seem to be adapted to the pieces of the specie, as the rations of forage for the horses of an army are made larger or smaller, according as the magazines are well or ill provided at the time: but has this any resemblance to the operations of commerce?

[The idea of coin being the *representation* of all the

industry and manufactures of a country, is pretty: and has been invented for the sake of making a general rule for operating an easy distribution of things extremely complex in their nature. From this comes error. We substitute a complex term, sometimes in one sense, and sometimes in another, and we draw conclusions as if it expressed a fixed and determined idea.

If in algebra, x, y, z , &c. ever stood for more than a single idea, the science would become useless; but as they never represent but the very same notion, they never change their nature through all manner of transpositions.

It is not the same of terms in any other science, as abundantly appears from the question now before us: coin is called a *representation*, because it is an equivalent; and because it is a *representation*, it must bear an exact proportion to the thing represented. And since in some particular examples, this representation *appears* to hold; therefore the rule is made general, although circumstances may be different. If, for example, a merchant, or a private person, has upon hand a thousand pounds worth of grain, no doubt that the thousandth part of the merchandize is worth the thousandth part of the sum; because both are determined in their quantity and quality: but the parcels of this corn, though exactly proportioned to the price of the whole, do not draw their value from this proportion, but from the total value of the whole mass; which is determined from the complicated operations of demand and competition, as has been said, and not from the specie of the country, which

can bear no proportion either to the quantity or quality of the grain.

There may be vast quantities of coin in a country of little industry; and, *vice versa*, coin is constantly an *equivalent*, but never a *representation*, more than any other equivalent which may be contrived. Were the doctrine of this second proposition true, every commodity in a country should be sold like a parcel of the grain in the foregoing example, by the rule of three; as the property of all the labor and manufactures of the country is to the part I intend to alienate, so is all the gold and silver in the country to the part I am entitled to receive. This way of regulating prices may be very ingenious, but it is not very common. I now proceed to the third and last proposition.

Increase the commodities, they become cheaper: increase the money, they rise in their value.

This proposition is much too general: the first part of it is commonly true, the last part is more commonly false.

What can increase commodities, but a demand for them? If the demand be equal to the augmentation, there will be no alteration in the price.

Let extraordinary plenty increase subsistence, it will naturally fall in the price; but it may be hoarded up, and made to rise in spite of the plenty; it may be demanded from abroad; this also will make it rise.

Let the production of superfluities, not exportable, be produced by workmen whose branch is overstocked, prices will undoubtedly fall.

The same observations are true of a diminution in the quantity of commodities. If this diminishes by degrees, from a diminution of demand, the price of them will not rise.

If the quantity of subsistence falls below the necessary consumption of the inhabitants, prices will undoubtedly rise.

If the articles of superfluity are diminished, prices will only rise in proportion to the eagerness to buy, that is, to the competition, not to the deficiency. On the other hand, as to coin or money.

Increase the money, nothing can be concluded as to prices, because it is not certain, that people will increase their expenses in proportion to their wealth; and although they should, the moment their additional demand has the effect of producing a sufficient supply, prices will return to the old standard.

But diminish the quantity of specie *employed in circulation*, you both retard this, and hurt the industrious; because we suppose the former quantity exactly sufficient to preserve both in the just proportion to the desires and wants of the inhabitants.

These are but a few of the numberless modifications necessary to be applied to this general rule; and I hope what I have said, will justify the observation I have made on the whole doctrine; to wit, that it is much more specious than solid, in every one of its three branches.

Let me just propose one question more upon this subject, and then I shall conclude.

Suppose the specie of Europe to continue increasing in quantity every year, until it amounts

to ten times the present quantity, would prices rise in proportion?

I answer, that such an augmentation might happen, without the smallest alteration upon prices, or that it might occasion a very great one, according to circumstances. If industry increases to ten times what it is at present, that is to say, were the produce of it increased to ten times its present value, according to the actual standard of prices, the value of every manufacture and produce might remain without alteration. This supposition is possible; because no man can tell to what extent demand may carry industry. If, on the other hand, the scale of demand could be supposed to preponderate, so as to draw all the wealth into circulation, without having the effect of augmenting the supply (which I take to be impossible) then prices would rise to ten times the present standard, at least in many articles.

This solution is entirely consistent both with Mr. Hume's principle and mine; because nothing is so easy in a hypothesis, as to establish proportions between things, which in themselves are beyond all the powers of computation.

C H A P. XXIX.

Circulation with foreign Nations, the same thing as the Balance of Trade.

WE have endeavoured to show in a former chapter, how the circulation of money, given in exchange for consumable commodities, produces a vibration

in the balance of domestic wealth: we are now to apply the same principles to the circulation of foreign trade; in order to find out, if there can really be such a thing as a balance upon it, which may enrich one country, and impoverish another.

It has been said, that when money is given for a consumable commodity, the person who gets it acquires a balance in his favor, so soon as he with whom he has exchanged, has begun to consume.

That if two consumable commodities are exchanged, the balance comes to a level, when both are consumed. That it is only the wealth which is found in circulation, which can change its balance, and the remainder must be found locked up, made into plate, or employed in foreign trade. And it has been observed, that the quantity of money found in circulation, is ever in proportion to the sale of the produce of industry and manufactures; and that when the quantity of metals is not sufficient to carry on a circulation, proportioned to the demands of those who have any real equivalent to give, that symbolical money may be made to fill up the void, when the interest of the state comes to require it.

We have also laid it down as a kind of general rule, that while luxury only tends to keep up demand to the reasonable proportion of power and inclination in the industrious part of a people to supply it, that then it is advantageous to a nation; and that so soon as it begins to make the scale of home-demand preponderate, by forming a competition among the natives, to consume what

strangers seek for, that then it is hurtful, and has an evident tendency to root out foreign trade. These principles are all analogous to one another, and should be retained while we examine the question before us.

I must still add, that the fluctuation of the balance of wealth is constantly inclining in favor of the industrious, and against the idle consumer. This however admits of a restriction, viz. The industrious must be supposed to be frugal; and the idle, extravagant. For if the industrious man consumes the produce of his industry, he will only have labored to increase his consumption, not his wealth: and if the idle person, by his frugality, keeps within the bounds of his yearly income, he will thereby repair every disadvantage incurred by his sloth, the balance then will stand even between them; the industry in one scale, and the fund already provided in the other, will keep both parties on a level as before.

In order, therefore, to make the balance of domestic wealth turn in favor of a poor man, he must be both industrious and frugal.

Now let us apply these principles to a whole nation, considered as an individual in the great society of mankind. A private person who conducts his affairs with prudence, must either be in a way of growing richer by his industry, or of spending his income with economy and discretion: so I must suppose a nation which is well governed, either to be growing rich by foreign trade, or at least in a state of not becoming poorer by it.

It is the duty of every statesman to watch over the conduct of those who hold the foreign correspondence, as it is the duty of the master of a family to watch over those he sends to market.

I find it is the opinion of the learned Mr. Hume, that there is no such thing as a balance of trade, that money over all the world is like a fluid, which must ever be upon a level, and that so soon as in any nation that level is destroyed by any accident, while the nation preserves the number of its inhabitants, and its industry, the wealth must return to a level as before.

To prove this, he supposes four fifths of all the money in Great Britain annihilated in one night, the consequence of which he imagines would be, that all labor and commodities would sink in their price, and that foreign markets would be thereby entirely supplied by that industrious people, who would immediately begin to draw back such a proportion of wealth, as would put them again upon a level with their neighbours.

This reasoning is consistent with the principles we have examined, and humbly rejected in the preceding chapter; both stand upon the same foundation, and lead to a chain of consequences totally different from the whole plan of this inquiry.

My intention is not so much to refute the opinions of others, as briefly to pass them in review. General propositions, such as those we have been treating of, are only true or false, according as they are understood to be accompanied with certain restrictions, applications, and limitations: I shall therefore say nothing as

to the proposition itself, but only examine how far the example he has taken of the sudden annihilation of a great proportion of a nation's wealth, can naturally be followed by the consequences he supposes.

For this purpose, let me suggest another consequence (different from that of the author, and flowing from the doctrine we have established) which possibly might happen, upon the annihilation of four fifths of all the money in Great Britain. I shall take no notice of the effects which so sudden a revolution might occasion; these have not been attended to by the author, and therefore I shall consider them as out of the question. I suppose the event to have happened, prices to have been reduced, and every immediate inconvenience to have been prevented. My only inquiry shall be directed towards the unavoidable consequences of such a revolution, as to foreign trade, as to drawing back the money annihilated, and as to the preserving the same number of inhabitants, and the same degree of industry as before. If I can show, that the event alone of annihilating the specie, and reducing prices in proportion, (which I shall allow to be the consequence of it) will have the effect of annihilating both industry and the industrious, it cannot afterwards be insisted on, that the revolution can have the effect of drawing back a proportional part of the general wealth of Europe: because the preservation of the industrious is considered as the requisite for this purpose.

Here then is the consequence, which, in my humble opinion, would very probably happen upon so extraordinary an emergency; and I flat-

ter myself that my reader has already anticipated my decision.

The inhabitants of Great Britain, who, upon such an occasion, would be found in possession of all the exportable necessaries of life, and of many other kinds of goods demanded in foreign markets, instead of selling them to their poor countrymen, for a price proportioned to our author's tariff, and to the diminution of the specie, which he takes to be the representation of them, would export them to France, to Holland, or to any other country where they could get the best price, and the inhabitants of Britain would starve.

If it be replied, that the exportation would not be allowed. I answer, that such a prohibition would be highly seasonable, but quite contrary to the principle of laying trade open, and impossible to be effectual, as that author justly observes, when he says, "Can one imagine, that all commodities could be sold in France, for a tenth of the price they would yield on the other side of the Pyrenees, without finding their way thither, and drawing from that immense treasure?" Suppose this phrase to run thus. Can any one imagine, that provisions could be sold in Britain, for a fourth part of the price they would yield on the other side of the water, without finding their way thither, and drawing from that immense treasure? This is entirely consistent with our principles, and ruins the whole of Mr. Hume's former supposition: because the exportation of them would annihilate the inhabitants.

From this I conclude, that a nation, though in-

dustrious and populous, may reduce itself to poverty in the midst of wealthy neighbours, as a private person, though rich, may reduce himself to want, in the midst of the amusements and luxury of London or of Paris. And that both the one and the other, by following a different conduct, may amass great sums of wealth, far above the proportion of it among their neighbours.

This is not a matter of long discussion. It is not by the importation of foreign commodities, and by the exportation of gold and silver, that a nation becomes poor; it is by consuming those commodities when imported. The moment the consumption begins, the balance turns; consequently, it is evidently against the principles which we now examine, either to sell at home, or destroy confiscated goods. The only way of repairing the damage done by such frauds, is to export the merchandize, and by selling them cheap in other countries, to hurt the trade of the country which first had furnished them. From this also we may conclude, that those nations which trade to India, by sending out gold and silver, for a return in superfluities of the most consumable nature, the consumption of which they prohibit at home, do not in effect spend their own specie, but that of their neighbours who purchase the returns of it for their own consumption. Consequently, a nation may become immensely rich by the constant exportation of her specie, and importation of all sorts of consumable commodities. But she would do well to beware of this trade, when her inhabitants have taken a luxurious turn, lest she

should come to resemble the drunkard who commenced wine merchant, in order to make excellent cheer in wine with all his friends who came to see him; or the milliner, who took it into her head to wear the fine laces she used to make up for her customers.

If a rich nation, where luxury is carried to the highest pitch, where a desire of gain serves as a spur to industry, where all the poor are at work, in order to turn the balance of domestic wealth in their favor, if such a nation, I say, is found to consume not only the whole work of the inhabitants, but even that of other countries, it must have a balance of trade against it, equivalent to the foreign consumption; and this must be paid for in specie, or in annual interest, to the diminution of the former capital. Let this trade continue long, they will not only come at the end of their metals, but they may even succeed in exporting their lands. This last appears a paradox, and yet it is no uncommon thing. The Corsicans have exported, that is sold, the best part of their island to Genoa; and now, after having spent the price in wearing damask and velvet, they want to bring it back, by confiscating the property of the Genoese, who have both paid for the island, and drawn back the price of it by the balance of their trade against these islanders. It were to be wished that Corsica alone afforded an example of this kind.

Is it not, therefore, the duty of a statesman to prevent the consumption of foreign produce? If tapestry or other elegant furniture, such as is seen in

a certain great capital in Europe, were allowed to be imported into a neighbouring nation, who doubts but this article would carry money out of that nation?

It may be answered, that as much elegance of another kind may be sent in return. True; and it would be very lucky if this could be the case; but then you must suppose an equality of elegance in both countries, and farther, you must suppose a reciprocal taste for the respective species of elegance. Now the taste of one country may, indeed, be common to both; but it may happen that the taste of the one may not be that of the other, though nothing inferior, perhaps, in the opinion of a third party. And the difference may proceed from this; that the young people of one country travel into the other, where the inhabitants stay at home: a circumstance which would prove very prejudicial to the country of the travellers, if a wise statesman did not, by seasonable prohibitions upon certain articles of foreign consumption, prevent the bad consequences of adopting a taste for what his subjects cannot produce.

This furnishes a hint, that it might not be a bad maxim in a great monarchy, to have houses built in the capital for every foreign minister, where the general distribution of the apartments of each might be, as much as possible, analogous to the taste of the country for whose minister it is calculated: but as to the furniture, to have it made of the most elegant domestic manufactures easily exportable, nicely adapted also to the uses and fashions of every foreign country. Such a regulation could never fail

of being highly acceptable, as it would prove a great saving to foreign ministers, and would insensibly give them a taste for the manufactures and luxury of the country they reside in. On the other hand, I would be so far from expecting a return of this civility, that I would recommend a set of furniture, as a gratification, to every minister sent abroad, who should regularly sell it off upon the expiration of his commission. Such an expense would not cost one penny to the nation, and would be a means of captivating unwary strangers, who might be thereby made to pay dearly for such marks of politeness and civility. I return.

Without being expert in the computation of exports and imports, or very accurate in combining the different courses of exchange between the different cities of Europe, a statesman may lay it down as a maxim, that whatever foreign commodity, of whatsoever kind it be, is found to be consumed within the nation he governs, so far the balance of trade is against her; and that so far as any commodity produced either by the soil, or labor of the inhabitants, is consumed by foreigners, so far the balance is for her.

A nation may in some measure be compared to a country gentleman, who lives upon his land. This I suppose to be his all. From it he draws directly his nourishment, perhaps his clothes are worked up in his family. If he be so very frugal as never to go to market for any thing, any spare produce which he can sell, is clear money in his purse. If he indulges now and then in a bottle of wine, which his farm does not produce, he must go to market with

his purse in his hand; and so soon as his bottle is out, I think he is effectually so much poorer than he was before. If he goes on, and increases his consumption of such things as he is obliged to buy, he will run out the money he had in his purse, and be reduced to the simple production of his farm. If then this country gentleman be poorer, certainly some body is richer; and as it is no body in his family, it must be some of his neighbours.

Just so a nation which has no occasion to have recourse to foreign markets, in order to supply her own consumption, must certainly grow rich in proportion to her exportation.

These riches again will not circulate at home, in proportion to the domestic consumption of natural produce and manufactures, but in proportion to the alienation of them for money, the surplus-wealth will stagnate in one way or other, in the hands of the money gatherers, who are the small consumers.

While there is found a sufficient quantity of money for carrying on reciprocal alienations; those money gatherers will not be able to employ their stagnated wealth within the nation; but so soon as this gathering has the effect of diminishing the specie, below the proportion found necessary to carry on the circulation, it will begin to be lent out, and so return to circulate for a time, until by the operation of the same causes it will fall back into its former repositories.

Should it be here objected, that upon the augmentation of a nation's riches, no money can stagnate; because *prices rising in proportion to the augmentation*
of

of them, all the additional wealth must be thrown into circulation: surely both reason and experience must point out the weakness of such an objection.

While a favorable balance, therefore, is preserved upon foreign trade, a nation grows richer daily; and still prices remain regulated as before, by the complicated operations of demand and competition; and when one nation is grown richer, others must be growing poorer: this is an example of a favorable balance of trade.

When this superfluity of riches is only profited of by the luxurious individuals, instead of being turned to profit by the state itself, with a view to secure the advantages thereby acquired, then the balance takes a contrary turn: this is the case whenever foreign importations for consumption, are either permitted as a gratification to the luxurious desires of the wealthy, or because of the rise in the price of goods at home, in consequence of domestic competition. If it be permitted purely in favor of the first, it marks a levity and want of attention unworthy of a statesman: if on account of the second, it shows either an ignorance of the real consequences of so temporary an expedient, or a disregard for the welfare of the lower classes of the people.

Every augmentation of prices at home, must be a necessary consequence of many domestic circumstances, and must be removed by correcting them, as has been, I think, made clear. But let it be supposed, that from the augmentation of wealth *alone*, manufactures can no more produce work so cheap as other nations; I think that both in humanity,

and prudence, a people should submit to the inconvenience of paying dearer. In humanity, because by the introduction of foreign manufactures, you starve those very people, who by their labor have enriched you: in prudence, because by opening your ports to such importation you deliberately throw away that superiority of riches you have been at so much pains to acquire.

I freely grant, that particular people do not regulate either their expense or their schemes of getting money, with a view to promote the public good. One who has a coat to buy, will be very glad to find a piece of foreign manufacture at a cheap rate: another will wish to smuggle a piece of goods on which there is a high duty. But the question is, whether a statesman is to allow this foreign consumption? I think it is much the same question, as if it were asked, whether the master of a family should, in good economy, allow his servants to invite their friends to drink in his cellar, instead of carrying them to a public house.

But suppose it said, that “by laying trade open, you are sure that wealth will naturally come to a balance, in all countries, and that all fears of a wrong balance of trade are only the effect of a gloomy imagination.” See Mr. Hume’s *Political Discourses* Sect. v.

Several answers may be made to this objection. The first, that it is in order to prevent this kind of balance, that every nation gives themselves disquiet: for by balance here, is understood an equality of wealth; and is it rich nations only who are anxious,

lest they should be brought to such an equality. In the question here before us, it is the loss of the superiority which is understood by a balance turning against a nation. If, therefore, it be the interest of a nation, poor in respect of its neighbours, to have trade laid open, that wealth may, like a fluid, come to an equilibrium; I am sure it is the interest of a rich nation, to cut off the communication of hurtful trade, by such impediments as restrictions, duties, and prohibitions, upon importation; that thereby, as by dikes, its wealth may be kept *above* the level of the surrounding element.

Another answer is, that laying trade open would not have the effect proposed; because it would destroy industry in some countries, at least, if not every where. A manufacture must be very solidly established indeed, not to suffer any prejudice by a permission to import the like commodities from other countries. The very nature of luxury is such, that it prompts people often to consume, from caprice and novelty, what is really inferior to home-production. It may be answered, that this argument cuts two ways: for if a nation from caprice consumes foreign commodities, why may not other nations from caprice likewise, take off those which are left on hand? This reasoning may appear good, in a theory which does not take in every political consideration. But a poor manufacturer who cannot find work, because the branch he works in is supplied from abroad, cannot live till the caprice of foreigners makes them demand his labor. If a certain number of inhabitants be employed in a necessary branch of consumption,

there must be a *certain* demand preserved for it; and whatever can render this precarious, will ruin the undertaking, and those employed in it.

A third answer is, that any nation who would open its ports to all manner of foreign importation, without being assured of a reciprocal permission from all its neighbours, would, I think, very soon be ruined; and if this be true, it is a proof that a balance of trade is a possible supposition, and that proper restrictions upon importation may turn to the advantage of a state.

In order to promote industry, a statesman must act, as well as permit and protect. Could ever the woollen manufacture have been introduced into France, from the consideration of the great advantage England had drawn from it, if the King had not undertaken the support of it, by granting many privileges to the undertakers, and by laying strict prohibitions on all foreign cloths? Is there any other way of establishing a new manufacture anywhere?

Laying, therefore, trade quite open would have this effect, it would destroy at first, at least, all the luxurious arts; consequently it would diminish consumption; consequently, diminish the quantity of circulating cash; consequently, it would promote hoarding; and consequently, would bring on poverty in all the *states* of Europe. Nothing, I imagine, but an universal monarchy, governed by the same laws, and administered according to one plan well concerted, can be compatible with an universally open trade. While there are different

states, there must be different interests; and when no one statesman is found at the head of these interests, there can be no such thing as a common good; and when there is no common good, every interest must be considered separately. But as this scheme of laying trade quite open, is not a thing likely to happen, we may save ourselves the trouble of inquiring more particularly into what might be its consequences; it is enough to observe, that they must, in their nature, be exceedingly complex, and if we have mentioned some of them, it has only been to apply principles, and show how consequences *may* follow one another: to foretel what *must* follow is exceedingly difficult, if not impossible.

In discoursing of the balance of trade, I have hitherto considered it only so far as the specie of a country is augmented by it. In the subsequent book, when we shall have occasion to bring this subject once more upon the carpet, I shall show how a balance may be extremely favorable without augmenting the mass of the precious metals; to wit, by providing subsistence for an additional number of inhabitants; by increasing the quantity of shipping, which is an article of wealth; by constituting all other nations debtors to it; by the importation of many durable commodities, which may be considered also as articles of wealth; as a well furnished house, a well stored cellar, an ample wardrobe, and a fine stable of horses, are articles which enhance the value of the inheritance of a landed man.

Then we shall have occasion to show how industry heightens the permanent value of a nation, as agriculture increases its annual produce.

C H A P. XXX.

*Miscellaneous Questions and Observations relative
to Trade and Industry.*

IT is now time to draw to a conclusion of this book. The subject of trade and industry is inexhaustible, if considered in all its branches, and traced through every consequence. My intention has been to inquire into the original principles which influence general operations, and which, less or more, enter into every combination. I have represented trade in its infancy, manhood, and old age; and have endeavoured to prescribe a general regimen of health for every period. It is sufficient to be thoroughly master of the principles, to be able to apply them to particular cases, providing every circumstance be exactly known.

The intention of this chapter, is, to review some parts of our subject which I think have not received all the light necessary to be thrown upon them, to suggest some remarkable differences between ancient and modern economy, with regard to circulation and industry; and, in general, to lay certain circumstances together, which may point out the spirit of modern times, from which we are endeavouring to extract a set of consistent principles. Every thing which points out relations is useful; because we know nothing, but through this channel. Now certain relations are too frequently taken for granted, and nothing is more essential in political reasoning, than to point them

out clearly, to proceed by the shortest steps, and still to keep experience and matter of fact before our eyes, when we draw a conclusion from a general proposition. Let the conclusion appear ever so just, if, when compared with experience, a disagreement appears, it is ten to one we have overlooked some circumstance, which ought to have entered into the combination.

To illustrate this, let me cite a mistake of my own, which I purposely left uncorrected, in the second chapter of the first book, where I very confidently declare, that a statesman, who, upon certain occasions, which seem favorable for raising great sums upon a people, increases taxes only in proportion to the interest of the money borrowed, must be shortsighted and regardless of futurity. This, I remember, appeared to me at the time I wrote, so clear and evident, that I thought I ran no risk in making it enter into a preliminary chapter. But when I came to look a little more particularly into the matter, I found I had been grossly mistaken; as I hope to show evidently in its proper place. Had every such mistake been treated with the same indulgence, I should have been more employed in the correction of my own blunders, than in the prosecution of my subject. People who reason with tolerable exactness on such subjects, generally fall into mistakes, from the generality of their propositions. These may commonly be true enough, within the compass of the author's combinations at the time, and yet may not be true in every other case. From which I infer, that every one of my

readers, who can form combinations more extensive than mine, will find sufficient matter for criticism in every page of this inquiry. So much the better: it is by such criticisms and discussions, that particular branches of knowledge are brought to the certainty of science.

The more simple any plan of political economy is, the more it is easy to govern by general rules; the more complex it becomes, the more it is necessary for a statesman to enter into combinations. But when general rules have been long established, they gain such an authority over the minds of a people, that any deviation from them appears like heresy in religion: and how seldom does it happen, that a people is blessed with a governor, who has both penetration to discover, art to persuade, and power to execute a plan adapted to every combination of circumstances.

No change can happen in a state, but what is advantageous to some class or other, and when the public good requires that a stop should be put to such advantages, numbers of discontented people will always be found. Circumstances, therefore, ought to be well weighed before new plans of administration are entered upon; and when once adopted, those who pretend to criticize, must suppose themselves provided with superior talents and better informations as to every circumstance, than the author of the innovation. For this reason, there is little danger in censuring a statesman's opinion, when he delivers it; but a great deal in finding fault with his conduct, when his motives are not known.

In the former chapters, we have been treating of the nature and consequences of circulation, the effects of augmentations and diminutions of specie, and the doctrine of Mr. Hume concerning the balance of trade. The perspicuity with which this author writes, renders his ideas easy to conceive; and when people understand one another, most disputes are soon at an end.

In order, therefore, to throw a little more light upon the nature of the balance of trade between nations, let me examine the following questions while we have the subject of the last chapter fresh in our memory.

QUEST. 1. Can any judgment be formed concerning the state of the balance of trade of a nation, barely from the quantity of specie that is found in it?

I answer in the negative. A great proportion of all the specie of Europe, may be found in a country against which the balance of trade has stood regularly for many years. An inconsiderable proportion of it may be found in another, which has had it as regularly in its favor for the same time.

The balance upon every article of trade, may be favorable to a nation which squanders away more than the returns of it, upon foreign wars.

The balance of every article of trade, may be against a country which receives more than all the loss incurred, either from her mines, from countries tributary to her, or who willingly furnish subsidies upon many political considerations.

Besides these varieties, there are still other combinations, relative to the specie itself. The money found

in a country, may either be said to belong *absolutely* to the country, when neither the state itself, or the particular people of it, are in debt to foreigners; or only so *by virtue of a loan*. Now, whether it is borrowed or not, the property of it belongs to the country; but the difference consists in this, that when it is borrowed, the acquisition of the metals adds nothing to the national patrimony, that is to say, there is no acquisition of wealth thereby made; but when it is gained by industry, the money adds to the real value of the country, in consequence of the principles laid down in the 26th chapter.

May not a nation then, having very little gold and silver, open a subscription for millions, at so much *per cent*? Will not strangers lend to her, when her own subjects cannot? May she not yearly, by paying away the interest of the money borrowed, and by a heavy balance of trade against her, be constantly diminishing her specie, and yet by new contracts, keep up, and even increase the mass of the circulating value, to such a degree, as to be possessed of a greater proportion of specie than any of her neighbours? Farther,

Is it not certain, that all nations will endeavour to throw their ready money, not necessary for their own circulation, into that country where the interest of money is high with respect to their own, and where consequently the value of property in land is low; since they may either draw a high interest from it, or make the acquisition of solid property? Forbidding therefore the acquisition of solid property to strangers, is, in effect, a prohibition upon

the gratuitous importation of specie. I allow there may be examples of people who make such purchases, with a view to draw the rents of the lands bought, out of the country; but whatever be the intention at the time of purchase, such however is the effect of an established fortune in a country, that, sooner or later, it draws the proprietor to it; and when this does not happen, a subsequent alienation commonly takes place.

Were the purchase, therefore, of lands permitted universally, and were it established, that property in land, to a certain value, should give a right to naturalization, no doubt large sums would be brought into those countries, where lands are found cheapest; and as no exportable commodity is given in return, the specie of such countries might mark the quantity of lands sold, as well as that of merchandize exported. For want of a sufficient extension of these and many other combinations, which it would be easy to contrive, Mr. Belloni, in his *Dissertation upon Commerce*, Chap. I. Sect. 5. falls into several mistakes, when he judges of the exportation of commodities of a particular country, by the quantities of money found in it.

Essendo adunque da cio venuto (says he) che l'abbondanza del danaro, ovunque si ritrovi, significa l'abbondanza stessa delle cose, delle quali egli è misura: perciò diviziosi meritamente sono stati detti quegli uomini, e ricco altresì quel regno, dove si ritrova gran copia di danaro. Dall'altro canto poi, se si considera lo stato di un regno, ed il danaro, che è dentro di esso, tenendo sempre salda l'essenza della moneta (che altro

non sia, che misura di cose, e prezzo, che viene in compenso di mercanzie) ovunque di essa vedrassi affluenza, ognuno ben vede, doverfi subito necessariamente arguire, un gran traffico di quel dominio, con esito di merci, in uso degli esteri, ed all'incontro ovunque questa venga a mancare, doverse ne dedurre grande introito di merci, che sieno subentrate nel luogo della moneta, e che l'abbiano fatta uscire.

These consequences are only just so far as money comes into, or goes out of a country, as the price of merchandize exported or imported. But how much money has not this author himself drawn into Rome from England, for the exportation of nothing but the bills of travellers?

On the other hand, may not a country, which is actually in possession of great quantities of gold and silver, call in these metals, and circulate, in their place, a symbolical money? May not a nation then, as well as a private person, employ this specie in a profitable foreign trade, and gain daily by it? May she not, after some time, withdraw her stock, by calling in her debts? And may she not also call in her paper, and remain with an additional acquisition of specie in her pocket? Consequently, during the circulation of the paper, no judgment can be formed as to the balance of her trade, by examining the state of her specie, because I can suppose that at this time every shilling of it may be in the hands of strangers. Consequently, the richest nation in Europe may be the poorest in circulating specie.

“The writings of Mr. Gee (says Mr. Hume in his *Political Discourse upon the Balance of Trade*) struck all the nation with a panic fear, by showing from

“ a long enumeration of particulars, that the ba-
“ lance inclined so much against us, and for so con-
“ siderable sums, that in the space of five or six
“ years, there would not remain one shilling in
“ England. But happily twenty years are elapsed
“ since, we have supported a long and expensive
“ foreign war, and nevertheless, it is commonly
“ believed, that money is at present as plentiful in
“ the kingdom as ever.” I quote from the French
translation.

Mr. Gee was in the wrong to conclude, that the balance of trade would have the effect of carrying off the coin: and Mr. Hume has been misled by this mistake, to conclude, that Mr. Gee's calculations were false. I know nothing as to the matter of fact; nor whether Mr. Gee was a good or a bad judge of the question he treated; but from what has been said, I hope it appears, that the state of the coin in England, at the time Mr. Hume wrote, was no proof on either side.

To judge of the balance of trade is one thing; to judge of the wealth of a nation as to specie is another. England may greatly increase her specie by her trade, and greatly diminish it by her wars: perhaps this may be the fact. She may also, at certain times, have a balance of trade against her; and great sums laid out in foreign wars, may be the means of making it return in her favor. Should that nation begin to pay off her debts to strangers, in ready coin, might she not soon diminish, perhaps exhaust, the specie she is now possessed of; yet surely none ever became poorer by paying off their debts. Nothing is so easy as to have

specie, when one has solid property to pledge for it; and nothing can be worse judged, than to purchase specie from strangers, at the expense of paying an interest for it, when they can contrive a circulating value in paper money, representing the solid value which must have been pledged to strangers for the loan of their metals.

But still it may be asked, how it happens, that notwithstanding of the most unfavorable balance of trade, no nation is ever found to be entirely drained of her specie; and since we have proved, that the specie of a country may be diminished by a disadvantageous trade, what are the principles which prevent the total dissipation of it?

This is a very curious question, and opens a door to a multitude of new ideas, which will furnish abundant matter of speculation, when we come to treat more directly of credit. I shall here examine it in general, only for the sake of applying the principles we have laid down.

I. It may be said, that as common prudence prevents a private person from spending to his last shilling; so the like prudence commonly engages a people to put a stop to trade, before it has had time totally to drain them. Although most people drink wine, there is no reason why every body should be drunk.

II. Nothing is so complicated as the balance of trade, considered among many nations. The general wealth circulates from one to another, as the money which the farmer gives the landlord circulates back to the farmer. In the number of hands through which

the money passes, some are of the class of the luxurious, some of the frugal; the first represents those nations who lose by the balance, the latter those who gain. But the most industrious nations of all, and those who, considered abstractedly from extraordinary accidents, appear in the way to swallow up the wealth of the rest, are, by the means of such accidents, made liable to terrible restitutions. How many millions, for example, has England restored to the continent, in consequence of her wars and subsidies? She then lays a foundation for many more years of favorable balance, and accordingly we see it return to her, as the money which the state spends within the nation, returns into the exchequer at the end of the year.

III. It may be asked, how it happens that no nation has ever spent to its last farthing, as many an individual has done? I answer, that I am far from believing that this has never happened; nay, I believe there is nothing more frequent or familiar than this very case, providing the riches of a country be here supposed to mean no more than the specie *absolutely* belonging to herself, not borrowed from other nations.

I have said above, that the acquisition of money by industry, increased the real value of a country, as much as the addition of a portion of territory: now what should hinder a people from spending their ready money, and, at the same time, preserving their land? Because a young gentleman, whose father has left him a fine estate in land, and ten thousand pounds in ready money, has spent the ten thousand pounds, does it follow, that

he is without a shilling ? Upon this view of the question, it will, I believe, be granted, that Dr. Swift's idea, that all the specie of Ireland would in a short time be exported, in consequence of an unfavorable balance of trade, is very far from being chimerical, and might be exactly true; although at this time there be six times more in circulation than ever; just as a person who is running through his fortune, has commonly more money in his hands than his father used to have, when he was acquiring it. Let Ireland pay her debts to England, and then count her specie. Let England pay her's to all the world, and then weigh her gold and silver. Suppose that on summing up the accounts, there is not found one shilling in either country, is this any proof of their being undone ? By no means: *coin is one article of our wealth, but never can be the measure of it.*

I know little of the state of Ireland; but if it be true, that paper money is increasing daily in that country, it is, I suppose, because the specie is daily exported to England, as the returns of estates belonging to people who reside there, and that the Irish, instead of buying it back again for their own use in circulation, augment their paper, in proportion to the progress of their industry; and only buy such quantities of specie as are necessary for paying the balance of their trade. Now by buying specie, I do not suppose, that they bring any over to Ireland, in order to send it back to England; but that they send over goods to the value, which the English merchants pay in specie,
or

or in English paper, to those who are creditors upon Ireland, for the value of their rents, &c.

Suppose then, for a farther illustration of some principles, that all the lands of Ireland belonged to Englishmen residing in their own country, and annually drawing from Ireland the income belonging to them, what would the consequence be? As long as this portion of the produce of lands, which goes for rent, (and which, as we have said, is the fund provided for the subsistence of the free hands who purchase their own necessaries) could be bought and consumed by the Irish themselves, that is, in other words, while in Ireland there was a demand for this portion of the fruits, it would be paid for, either in coin, to the diminution of their specie, or in something which might be converted into money; that is, by the produce of their industry, and thus, by the means of trade, would come into the hands of the English proprietors, either in specie, or in any other form they judged proper.

That so soon as the demand for this portion of fruits came to fail, for want of money, or industry, in Ireland to purchase it, what remained on hand would be sent over to England in kind; or by the way of trade, be made to circulate with other nations (in beef, butter, tallow, &c.) who would give silver and gold for it, to the proprietors of the Irish lands. By such a diminution of demand in the country, for the fruits of the earth, the depopulation of Ireland would be implied; because they who consumed them formerly, consume them no more; that is to say, they either died, or left the country.

To conclude, a great part of the value of a country is its produce and manufactures; but it does not follow, as Mr. Belloni asserts, that these should as necessarily draw a proportional sum of the gold and silver of Europe into that country, as a shoal of small fishes draws water fowl, or as charity draws the poor, or as beauty draws admiration.

QUEST. 2. Can no rule be found to judge of the balance of trade from the state of specie, or at least to perceive the effects of that balance in augmenting or diminishing the mass of riches?

Could it be supposed that specie never circulated between nations, but in the way of trade, and in exchange for exportable commodities, this would be a rule.

In nations where the earth produces neither gold or silver, and where these metals are imported as the returns of industry only, the balance in their favor, from the introduction of specie, to this day, would be measured by the quantity of it which they possess. Here Mr. Belloni's opinion is just.

Farther, the consumption made by any nation for the same term of years, is equal to the whole natural produce and labor of the inhabitants for that time, *minus* the quantity of such produce and labor, as is, or has been equal in value to the actual national specie.

On the other hand, in nations where gold and silver are produced by the earth, the balance of trade against them, from the time these metals became the object of trade, to this day, may be estimated by the quantity of them which has been exported.

And farther, the consumption made by such nations,

for the same term of years, is equal to the whole natural produce and labor of the inhabitants for that time, *plus* the quantity of such produce and labor, as is, or has been equal to the quantity of these metals exported.

These positions are by much too general to be laid down as principles; because trade is not concerned in every acquisition or alienation of specie; but they may serve, in the mean time, to illustrate the doctrine we have been considering, and even in many cases may be found pretty exact. For example.

If it be true, that in any nation of Europe, there be now just as much silver and gold as there was ten years ago, and if that nation during this period, has supported, without borrowing from strangers, an expensive war which may have cost it, I suppose, five millions, it is certain, that during this period, the home consumption must have been the value of five millions less than the natural produce, labor, and industry of the inhabitants; which sum of five millions must have come from abroad, in return for a like value of the production, labor, &c. remaining over and above their own consumption.

In this supposition, the national wealth (the metals) remains as before, the balance of it only is changed. How this change is performed, and what are its consequences, may be discovered by an application of the principles already laid down.

QUEST. 3. What were the effects of riches before the introduction of trade and industry?

I never can sufficiently recommend to my readers to compare circumstances, in the economy of the

ancients, with that of modern times; because I see a multitude of new doctrines laid down, which, I think, never would have been broached, had such circumstances been properly attended to. I have endeavoured to show, that the price of goods, but especially of articles of the first necessity, have little or no connexion with the quantities of specie in a country. The slightest inspection into the state of circulation, in different ages, will fortify our reasoning: but the general taste of dissipation which is daily gaining ground, makes people now begin to imagine, that wealth and circulation are synonymous terms; whereas nothing is more contrary both to reason and matter of fact. A slight review of this matter, in different ages, will set it in a clearer light than a more abstract reasoning can.

It is a question with me, whether the mines of Potosi and Brasil, have produced more riches to Spain and Portugal, within these two hundred years, than the treasures heaped up in Asia, Greece, and Egypt, after the death of Alexander, furnished to the Romans, during the two hundred years which followed the defeat of Perseus, and the conquest of Macedonia.

From the treasures mentioned by all the historians who have writ of the conquest of those kingdoms by the Romans, I do not think I am far from truth, when I compare the treasures of the frugal Greeks to the mines of the new world.

What effect, as to circulation, had the accumulation of these vast treasures? Not any to accelerate it, surely: and no person, the least conversant in

antiquity, will pretend that the circulating specie in those times, bore as great a proportion to their treasures, as what is at present circulating among us, bears to the wealth of the most economizing Prince in Europe. If any one doubt of this particular, let him listen to Appian, who says, that the successors of Alexander, the possessors of those immense riches, lived with the greatest frugality. Those treasures were then, as I have said, a real addition to the value of their kingdoms; but had not the smallest influence upon prices. In those days of small circulation, the prices of every thing must have been vastly low, not from the great abundance of them, but because of the little demand; and as a proof of this, I cite the example of a country, which, within the space of fifty years, possessed in *specie* at one time, considerably beyond the worth of the land, houses, slaves, merchandize, natural produce, moveables, and ready money, at another. The example is mentioned by Mr. Hume, and I am surpris'd the consequence of it did not strike him. For if the money they possessed was greatly above the worth of all their property, moveable and immoveable, surely it never could be considered as a representation of their industry, which made so small a part of the whole. Athens possessed, before the Peloponesian war, a treasure of ten thousand talents; and fifty years afterwards, all Athens, in the several articles above specified, did not amount to the value of six thousand. Hume's *Political Discourses upon the Balance of Trade*.

These treasures were spent in the war, and they

had been laid up for no other purpose. Therefore I was in the right, when I observed above, Chap. 22. that war in ancient times, had the effect that industry has now: it was the only means of making wealth circulate. But peace producing a general stagnation of circulation, people returned to the ancient simplicity of their manners, and the prices of subsistence remained on the former footing; because there was no increase of appetite, or rising of demand upon any necessary article. So much for the state of wealth during the days of frugality.

The Romans subdued all those kingdoms of the Greeks, and drew their treasures to Rome. The republic went to destruction, and a succession of the most prodigal Princes ever known in history succeeded one another for about two hundred years. Those monstrous treasures were then thrown into circulation, and I must now give an idea of the effects produced by such a revolution.

I have already observed (Chap. 28.) that in consequence of the great prodigality of those times, the prices of superfluities rose to a monstrous height; while those of necessaries kept excessively low. The fact is indisputable, and any one who inclines to satisfy himself farther, may look into that valuable collection of examples of ancient luxury, wealth, and at the same time of simplicity, found in Mr. Wallace's *Dissertation upon the Numbers of Mankind in ancient and modern Times*, p. 132. & seq.

But how is it to be accounted for, that the prices of superfluities should stand so high, while necessaries were so low? The reason is plain, from the principles

we have laid down. The circulation of money had no resemblance to that of modern times : fortunes were made by corruption, fraud, concussion, rapine, and penury ; not by trade and industry. Seneca amassed in four years 2,400,000 pounds sterling. An augur was worth 3 millions sterling. M. Antony owed on the Ides of March, 322,916 pounds sterling, and paid it before the calends of April. We know of no such circulation. Every revolution was violent : the powerful were rapacious and prodigal, the weak were poor and lived in the greatest simplicity : consequently, the objects of the desires of the rich were immensely dear ; and the necessaries for the poor were excessively cheap. This is a confirmation of the principles we have laid down in Chap. 28. that the price of subsistence must ever be in proportion to the faculties of the numerous classes of those who buy : that the price of every thing must be in proportion to the demand made for it ; and that in every case, where the supply can naturally increase in proportion to the demand, there must be a determined proportion between the price of such articles and that of subsistence. Now in the examples given by Mr. Wallace, of such articles as were found at monstrous prices, we only find such as could not be increased according to demand : here is the enumeration of them. Large asses brought from Spain, peacocks, fine doves, mullets, lampreys, peaches, large asparagus, purple, wool, jewels, carpets, *vestes Byssinæ*, slaves skilled in the finer arts, pictures, statues, books, and rewards to those who taught the sciences. By casting a glance upon the catalogue, we may easily perceive

that the extraordinary price must have proceeded from the impossibility of augmenting the supply in proportion to the demand; not from the abundance of the money, which had no effect in raising the price of necessaries. The cheapness again of these, did not proceed from vast plenty; but because the price must have remained in proportion to the faculties of the numerous poor; and because the augmentation of the wealth of the rich never could increase their consumption of any necessary article. Had the Roman empire been governed with order and tranquillity, this taste of luxury, by precipitating money into the hands of the numerous classes, would, in time, have wrought the effects of multiplying the number of the industrious, by purging the lands; consequently, of increasing the demand for vendible subsistence; consequently, of raising the price of it. And on the other hand, the adequate proportion between services and rewards given by the public, would have checked the other branch of circulation which produced those monstrous fortunes, to wit, rapine and corruption: and industry receiving a regular encouragement, every article of extraordinary demand for delicate aliments, birds, fishes, fruits, &c. would have been supplied with sufficient abundance; and consequently, would have fallen in its price. But when either despotism or slavery were the patrimonial inheritance of every one on coming into the world, we are not to expect to see the same principles operate, as in ages where the monarch and the peasant are born equally free to enjoy the provision made for them by their forefathers.

I shall now come nearer home, and examine a very remarkable difference between the economy in practice some hundred years ago, and that of the present time, with regard to the method of levying men and money.

This change is a consequence of trade and industry, and as I have been preparing the way for the introduction of other matters which equally owe their existence to them, it may not be improper, in this last chapter, to point out the natural causes of this change in modern politics. When people consider effects only, without examining the causes which produce them, they commonly blame rashly, or fall into an idle admiration of fortune. It is only by tracing natural causes, that we come at the means of forming a solid judgment of the nature of every abuse, and of every advantage.

The general taste for the extension of industry, is what has brought such loads of money into circulation; not the discovery of America. We read of treasures in ancient times which appear to rival the wealth of modern Europe. Appian, as cited by Mr. Hume, mentions a treasure of the Kings of Egypt, of near two hundred millions sterling; and says, that all the successors of Alexander were nearly as rich, and fully as frugal. Frugality then is compatible with the greatest wealth. Therefore the wealth of America, has not been the cause of European refinement; but the extension of civil liberty has obliged the possessors of treasures, which in all ages have been coveted by man, to open their repositories, in order to

procure the service of those who formerly made a branch of the property of the most wealthy. This is the foundation of trade and industry.

Why, therefore, has trade and industry laid the foundation of taxes and standing armies, which appear so contrary to the one and the other?

I answer shortly, that very little change has been made as to things themselves by that revolution; but with respect to the order of things, the difference is great. Trade and industry cannot flourish without method and regularity; taxes and standing armies are only a systematical execution of the old plan, for preserving the power, safety, and independence of the nations of Europe.

Taxes are no more than the liquidation of those services which formerly were performed in kind. Standing armies are become necessary, that the call of the rich luxurious, who are insatiable in their demand for the service of the poor, may not be able to engross also the hands necessary for the defence of the state. Personal services were the taxes of former times. Let no man imagine, that ever any state could subsist without the contribution of its subjects. But a more authentic proof of this opinion is, that in the year 1443, while Charles the VIIth was engaged in the long war with the Kings of England, who disputed with him the monarchy of France, the services of the vassals of that kingdom (by the edict of Saumur of the 14th of September) were formally converted into the perpetual *Taille*; and this may be considered, as the foundation of the

regular military force of the French nation. No body, in those days, imagined such an imposition to be oppressive or unjust: and if those who remain subject to it, appear under oppression at present, it is only because they continue in their ancient situation. Personal services are the heaviest of all impositions.

QUEST. 4. Why, therefore, are taxes so generally cried out against, why do they appear so new an invention, and why do people flatter themselves, that there is a possibility of putting an end to so general an oppression? I answer, because people commonly attend to words, and not to things. In former times, the great bulk of the inhabitants lived upon the lands, and were bound to personal service. This kind of imposition was familiar, general, and equal; every class of the people was bound to services analogous to their rank in the state. The industrious who lived without any dependence upon the lands, and who did not enjoy the privileges of cities and corporations, were so few, that they were not an object of public attention. Farther, most privileges then known, were in consequence of land-property; consequently, those independent people were in a manner without protection, they were vassals to no body; consequently, had no body to interest themselves for them; consequently, were a prey to every one who had power, and no body was sorry to see a rich fellow, who had got plenty of ready money, and who seemed to do nothing for it, plundered by a lord who appeared in the service

of his country. We see in the time of the croisades how odious all those money gatherers were; these were what we now call traders, it was principally in hatred to them, that the borrowing of money at interest was declared antichristian; because the Jews were principally in those days the merchants or the money lenders.

In the beginning of the sixteenth century, when Princes began to take a taste for magnificence, finding no body, almost, within their own country capable to supply them, they used to send to Flanders and Venice, the great trading states in those days, for many kinds of manufactures. This is the fountain of foreign trade in Europe. The two states perceiving the great benefit resulting to them from this new taste of dissipation, gave great encouragement to the industrious. Had they begun to impose high taxes upon them, they would have ruined all. Industry, then, was encouraged at first, and little loaded with any imposition. This is perfectly consistent with our doctrine. Some Princes, perceiving the daily diminution of their wealth, made efforts to restore this ancient simplicity, by forbidding this hurtful trade; others, such as Francis I. of France, and Henry VIII. of England, endeavoured all they could to establish industry in their own states. For this purpose, great privileges were granted to the industrious, who thereby increased daily. But this revolution naturally purged the lands, and by that operation diminished the number of personal service-men; or, as in France, where personal service was at an end, the number of those subject to the *taille*. I shall not trace this pro-

gress very minutely, but come directly to the period of extensive taxation. When industry was fairly established, and when nations began to be well clothed with the produce of their own soil, wrought up in a thousand different forms, by their own industrious subjects. Princes soon perceived their treasures to melt away, and saw plainly, that without a method of drawing back the money from this new class of inhabitants, the whole wealth of the state would come to centre in their hands; but the means of coming at money was extremely difficult. The proprietors of the riches had no solid property in proportion; and their money was inaccessible. Some betook themselves to violence, and others to fraud: the one and the other produced the worst effects. The violence destroyed industry, and rendered the industrious miserable: for we have observed, that when inhabitants are once purged from off the lands, they have no resource left them but their industry; whereas let a peasant be robbed ever so often of his money, he still has the earth to maintain him. The fraudulent corrupted the great; the ministers of Princes became the terror of every man who had money; they enriched themselves by accepting of compositions, and the state remained constantly in want. At last the scheme of proportional taxes took place: but for this purpose it was necessary to obtain the consent of the whole state; for no Prince's power extended so far, and they were not come to the time of being able to enlarge their prerogative. Such impositions, therefore, were first introduced in republics; and mixed

governments. In monarchies they were established with more difficulty; because the great were equally affected by them with the small. But when long and expensive wars rendered supplies of money absolutely necessary, then were taxes consented to; and the Prince who had not power enough to *establish* them, easily found means to *keep them up*, when once introduced.

From this progress we may easily discover the reason why taxes are cried out against. The system appears new, because we remember, in a manner, the doubling of the impositions, and we see them daily gaining ground; but we never reflect on the change of circumstances, and seldom attend to the consequences of that new species of circulation, which is carried on between the public and those employed by it. The state now pays for every service, because the people furnish it with money for this purpose.

If the blood therefore be let out, in modern times, at a thousand orifices of the body politic, there are just as many absorbitories (if I may be allowed such an expression) opened to receive it back. From this last circumstance I imply the perpetuity of taxes, while this system of political economy prevails. We have not as yet seen an example of any state abolishing them, though many indeed have had such a scheme in view. But to resume my former comparison, I may suggest, that if all the orifices through which the blood issues, should be bound up, all the absorbitories which are fed with the returning blood, must be starved. But more of this in its proper place.

QUEST. 5. Why are standing armies a consequence of trade and industry ?

In the first place, armies in all ages, past, present, and to come, have been, are, and will be calculated for offensive and defensive war; while therefore war subsists among men, armies in one way or other, will be necessary.

The advantage of regular armies has been known in all ages; and yet we find, that for many centuries they appeared in a manner discontinued; that is to say, we read neither of legions, nor of regiments, nor of any denomination of bodies of warlike men; kept up and exercised in time of peace, as was the custom while the Roman empire subsisted: and now, since trade has been established, we see the ancient Roman military economy again revived. Let us therefore apply our principles, in order to account for this revolution also.

During the Roman empire, there was a very great flux of money into the coffers of the state, which proceeded more from rapine than from taxes. Consequently, it was an easy matter to keep up large bodies of regular forces.

With these they subdued the world, as I may call it, that is, all the polite nations then known; the Carthaginians, Greeks, and Asiatics. Had they remained satisfied, their empire might possibly have subsisted; because people who are rich, luxurious, and polite, are commonly peaceable. But nothing could satisfy their ambition: they conquered Gaul, and stretched the boundary of their empire from the streights of Gibraltar to the mouth of the Rhine. All

was peaceable on that side, and in two or three centuries, both Spain and Gaul had adopted the spirit, language, and manners of the Roman people. But when they passed the Rhine, the Danube, and the Euphrates, they found mankind still less cultivated, and very little known. Their enemies fled before them, and left a territory which was not worth possessing. This of all barriers is the strongest. By carrying on war against such people, the match was very unequal; those nations had every thing to gain, and nothing to lose; the Romans had all to lose, and nothing to win. Those wars continued until the Barbarians learned the Roman discipline, and became warriors. It was the most profitable trade for them, as well as the only means of safety. That this was the plan of their economy appears plainly from the form of government every where established by them. Where every free man was a foldier, there was no occasion for a regular militia.

Men are governed by prejudice more than by reason: to this I attribute the sudden change in the government of Europe. In place of one man governing the world, as was the case of the Emperors, the new spirit was, that all soldiers were equal, and a King was but *primus inter pares*. The sudden revolution had the effect of ruining every thing: learning, industry, politics, all went to wreck. *One hundred years of barbarity must ruin the effects of a thousand centuries of politeness.* This is the date of the annihilation of standing armies. A powerful Prince such as Charles the Great, who acted in a high sphere, and who made the world his own, might, during

during his lifetime, establish the old economy. But the general establishment of the feudal form of government, which, no doubt, was the best for preserving a great empire, filled with barbarity every where, joined with the weakness of that Prince's successors, introduced a new form less barbarous than the former, but equally compatible with a numerous standing militia. Every Baron became a sovereign, and his vassals were bred to arms; but as they were forced to attend the plough for subsistence, as well as the camp; wars were carried on consistently with agriculture. Certain months of the year were appropriated for war, others for peace. This was easily accomplished: war was constantly at the door; a campaign was finished in a week, because every man's nearest neighbour was commonly his worst enemy.

Europe remained in this general state of confusion for some centuries. Princes had, during that period, a most precarious authority, and when any nation chanced to be under the government of one who had talents to unite his subjects, he became so formidable that there was no possibility of resisting him. In those days, it was a hard matter to form an idea of a balance of power; because there was no rule to determine the force of nations. Under the Otho's, Germany threatened Italy with chains; under Edward and Henry, England seemed on the road of adding all France to her monarchy; Ferdinand the catholic, laid the foundation of the Spanish greatness, and his successors bid fair for the universal monarchy of Europe. In our days, the

acquisition of a small province, nay of a considerable town, is not to be made by conquest, without a general convention between all the powers of Europe, and those who are conversant in foreign affairs, can estimate, in a minute, the force of Princes, by the troops they are able to maintain; nothing is so easy as to lay down, on a sheet of paper, a state of all the armed men in Europe. A Prince can hardly add a soldier to a company, but all the world is informed of it. Excepting the extent of their credit, and the talents of their generals and counsellors, every thing relative to power is become the object of computation. Hence the balance of power, formerly unknown, is now become familiar. So much is sufficient for the matter of fact; let us now examine why *trade* and *industry* have given rise to so regular a system of war.

The reason is, because in a state where those are introduced, every thing must be made regular, or all will go to wreck. The keeping up of large armies, is the remains of that turbulent spirit which animated royalty for so many centuries. All literature is filled with warlike sentiments, from the books of Moses to the news papers of this day. A young person cannot learn to read without imbibing the fire of war. But as nothing is so evident, from the consideration of the total revolution in the spirit of the people of Europe, as that war is inconsistent with the prosperity of a modern state, I sometimes allow my imagination to carry me so far as to believe the time is at hand when war will come to cease. But there is no such thing as predicting

in political matters: general peace is a contingent consequence which a thousand accidents may prevent; and one among the rest is, that the whole plan of modern policy may be broken to pieces, before Princes come to discover that it is their interest to be quiet. The ambition of one, arms all the rest, and when once they are at the head of their armies, want of money only assembles a congress, not to make peace, but that the parties may have some years to gather new force.

It is not therefore trade and industry which have given birth to standing armies, they have only rendered war impossible without them. It is the ambition of Princes to extend their dominion, and even sometimes to extend their commerce, which gives occasion to war. And we see daily how difficult it becomes to provide troops for this purpose, from no other reason so much as from the progress of trade and industry. Those who have the money cannot have the men, those who have the men cannot have the money. Do we not see how the greatest monarchy in Europe, the Prince who has the most millions of subjects, cannot preserve the rank of power he has prescribed to himself (*his political-necessary for war*) without a body of above thirty thousand strangers, in the time of the most profound peace, and after the greatest reduction judged consistent with the safety of the country? These cost vastly more than national troops, and brave men of all countries are alike; so that the only reason for keeping up so large a body of foreigners, is to facilitate augmentations when occasion requires it; and not to spare the subjects who are willing to serve,

but to spare agriculture and industry, after the superfluities of these have fallen in, to compleat that body of troops which experience has determined to be proportioned to such superfluities.

From this short exposition let me deduce a principle. That since every state has occasion, according to the present system of Europe, for a certain number of armed men for their defence, the first care of a statesman, is, to discover to what number those of his subjects, who willingly prefer the conditions offered for military service to the occupations of industry, may amount. If he finds these exceed the number wanted for recruiting the army, it is a good reason to diminish the pay; until the encouragement comes upon a level with the supply demanded. If on the contrary, the number of volunteers falls below the standard required, he must examine the state of the balance of work and demand, before he can give any farther encouragement. If this balance stands even, he must take care that the pay given to soldiers be not carried so high, as to engage those of the lowest class of profitable industry to desert it.

What measures, therefore, can be fallen upon? There are two. Either to hire foreign troops, as many states do; and I suppose for good reasons, only because it is done. But I should prefer another method, which is to create a new class of inhabitants, appropriated for supplying the army, upon the principle above laid down, that he who feeds may have as many mouths as he pleases.

I would therefore fix the military pay at a rate below the profits of useful industry, and accept of such

as should offer. For the augmentation of this class, I would receive all male children who should be given or exposed by their parents. These should be bred to every sort of labor for which the state has occasion, and their numbers might be carried to twenty *per cent*, above that which might be judged necessary in time of the hottest war. Out of this class only, the standing forces might be recruited: those who remained might be employed in every public service; such as working in arsenals, docks, highways, public buildings, &c. By taking care of the children of this whole class, their numbers would rise to whatever height might be judged necessary. The same spirit would be kept up; they might serve by turns, and all become disciplined. This is a good scheme, in many cases, and is an improvement upon the distribution of the inhabitants: the execution is gradual; therefore no sudden revolution is implied. But it is fit only for a state which can augment its numbers, without seeking for subsistence from without. It would spare the land and manufactures, and be a ready outlet for all supernumeraries in every class.

This subject shall be resumed in the fifth book, when we come to the application of the amount of taxes. At present it has found a place, only because the support of a national force has been ranked among the objects of attention of those statesmen who are at the head of rich and luxurious nations which have lost their foreign trade.

QUEST. 6. What are the principles upon which the relative force of nations is to be estimated?

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Without some limitations, no question can be more difficult to resolve than this; it must therefore be examined only in so far as it comes under the influence of certain principles. It is as impossible to estimate the real force of a nation, as it is to estimate that of any considerable quantity of gun-powder, and for the same reason. The nation cannot exert all its force at once, no more than the powder can be all inflamed at once, and the successive efforts of a small power, are never equally effectual with the momentous shock of a great one. In proportion, therefore, as the spirit of individuals is moved to concur with the public measure, a people become powerful; and as I know of no principle which can regulate such affections of the mind, we must throw them quite out of the question, and measure the power of nations by the quantity of men and money at a statesman's command, in consequence of the economy he has established. Let me then suppose two nations, where the number of inhabitants, and weight of gold and silver are absolutely the same, military genius and discipline quite equal. From what has been said, we must determine that nation to be the strongest, which, without disturbing the economy of their state, can raise the greatest proportion of men, and draw the greatest proportion of money into the public coffers.

When the number of inhabitants is given, the first thing to be known is the nature of the produce of the country, whether mostly in corn, wine, or pasture: the more the ground is labored, and the more

crops it yearly produces, the fewer free hands it will maintain in proportion to the whole, this computation must then proceed upon the principles laid down above, Book I. Chap. 8.

When once you come at the number of free hands, you must examine the state of luxury. Luxury is justly said to effeminate a nation, because the great multitude of hands taken up in supplying the instruments of it to the rich, diminishes greatly the number of such as can be employed in war. If manufacturers and folks accustomed to a sedentary life, are at a certain age taken from trades, to compose armies, they will make bad soldiers; and the strength of a nation lies chiefly in the valor and strength of the soldiery. Luxury therefore effeminates a nation in general; but it does not follow from hence, that the most luxurious are the most effeminate, and most improper for war; on the contrary they are found to be the bravest and most proper. The effeminacy and baseness of mind, in point of courage, are found in the sedentary multitude. The truth of this might be proved from many examples in ancient history, if the present situation of Europe left the smallest room to doubt of it.

The more therefore that luxury prevails in a country, the fewer good troops can be raised in it, and *vice versa*. But it is not sufficient to have men for war, the men must be enabled to subsist, and in the modern way of making war, their subsistence and other expenses require large sums of money. We must then examine what proportion of the general wealth may be applied to this purpose.

If in any country the riches be found in few hands, the state will be poor; because the opulence of the public treasure depends greatly upon a right and proportional distribution of wealth among the inhabitants. Riches are only acquired three ways. First, Gratuitously, as by succession, gift, or the like; secondly, by industry; and lastly, by penury. Those who are poor are seldom enriched gratuitously, never by penury, and always by industry; when a poor man grows rich in any state, he changes in so far the balance of wealth, for what is added to him is taken from another. When a spirit of industry prevails, the balance is always turning in favor of the industrious, and as it is a pretty general rule, that the rich are not the most laborious, so the balance is generally turning against them. This being the case, the more that industry prevails, the quicker will this revolution be brought on. By such revolutions, wealth becomes *equally distributed*; for by being *equally distributed*, I do not mean, that every individual comes to have an *equal* share, but an equal chance, I may say a certainty, of becoming rich in proportion to his industry. Riches which are acquired by succession, or any other gratuitous means, do not in the least contribute to circulation, the owner, as has been said, only changes his name. Those made by penury or hoarding, instead of adding to, evidently diminish circulation. It is, therefore, by industry alone that wealth is made to circulate, and it is by its circulation only, that money is useful. When large sums are locked up, they produce nothing; they are therefore locked up not to be useful while they remain secreted; but that

they may be useful when brought out in order to be alienated. In a state, therefore, where there are a few very rich and many very poor, there must be much money locked up; for without money none can be rich, and if it were not locked up it must fall into the hands of the poor. Why? Because the rich will not give it to the rich, gratuitously, nor will they labor to acquire it; either then the common people must be lazy and unwilling to work, or the rich must be so penurious and addicted to hoarding as to keep it out of the hands of the poor. In both which cases, if there be money in the country, it must be found in coffers.

From these positions it may be concluded, that wealth which produces nothing to its owner, cannot be supposed to produce any thing to the state: consequently, that state in which there is the quickest circulation of money, is, *cæteris paribus*, that in which the greatest proportion of the general wealth may be raised for the public service. This is all that is necessary to observe at present: when we have examined the nature of credit and taxes, and the principles upon which they may be levied in different countries, and under different forms of government, we shall discover more rules for estimating the force of different states.

The principles of industry have been so interwoven with those of trade, through all the chapters of this second book, that it is now proper, before we dismiss the subject, to examine a little into the nature of the first, considered more abstractedly, and more detached from its relation to the equivalent given for it, which is the proper characteristic of trade,

and from which proceeds the intimate connexion between them.

The object of our inquiry hitherto has been to discover the method of engaging a free people in the advancement of the one and the other, as a means of making their society live in ease, by reciprocally contributing to the relief of each other's wants. Let us next examine some farther consequences. We are now to cast our eyes upon another view of this extensive landscape, where the personal advantages, immediately felt from this gentle band of mutual dependence, are not to fix our attention so much as the effects produced by industry upon the face of things, and manners of a people.

The better to transmit this idea, which I find a little dark, let me say, that hitherto we have treated our subject, according to the principles which should direct a statesman, to advance trade and industry, by engaging the rich to give bread to the poor. Now we are to examine the consequences resulting from the execution of this plan; and compare the difference between a country which has been inhabited by a people abundantly provided for without industry and labor, and one occupied by another who have subsisted by these means; and farther, we are to examine industry as producing effects more or less hurtful to the simplicity of manners, and more or less permanent and beneficial, according as it has been directed towards different objects.

I can easily suppose a nation living in the greatest simplicity, even going naked, but abundantly fed, either with the spontaneous fruits of the

earth, or by an agriculture proportioned to the wants of every one, and where very little alienation or exchange takes place. From this primitive life, as I may call it, the degrees of industry, like imperceptible shades, may be augmented; and the augmentation, as I apprehend, is to be measured, not so much by the degree of occupation which the inhabitants pursue, as by the quantity of permutation among them; because I think permutation implies superfluity of something*.

* Our first parents, placed in Paradise, were fed from the hand of God, and freed by the constitution of their nature, from every uneasy animal desire. Since the fall, the whole human species have been employed in contriving and executing methods for relieving the wants which are the consequences of such desires.

Hence I conclude, that had the fall never taken place, the pursuits of man would have been totally different from what they are at present. May I be allowed to suppose, that in such a happy state, he might have been endowed with a faculty of transmitting his most complex ideas with the same perspicuity with which we now transmit those relating to geometry, numbers, colors, &c. From this I infer, there would have been no difference of sentiment, no dispute, no competition between man and man. The progress in acquiring useful knowledge, the pleasure of communicating discoveries, would alone have provided a fund of happiness, as inexhaustible as knowledge itself.

Mankind, therefore, set out upon a system of living without labor, without industry, without wants, without dependence, without subordination; consequently, had they remained in that state, the lapse of time would have produced no change upon any thing, but the state of knowledge. Banned from Paradise, man began to plow the ground, consequently to change her surface: he built houses, made

A people then lives in the utmost simplicity, when the earth is so far in common, as that none can acquire the property of it, but in virtue of his possession as the means of subsistence; and when every one is employed in providing necessaries for himself, and for those who belong to him. The moment any one has occasion for the service of another, independent of him, he must have an equivalent to give. This equivalent must be something moveable, some fruit of the earth, pure or modified, superfluous, not necessary, not the earth itself, because this is the foundation of his subsistence; and he can never alienate what is essential to his being, in order to procure a superfluity. From this we may deduce a principle that the alienation of consumable commodities is a consequence of superfluity alone, as this again is the bane of simplicity. Consequently, he who would carry simplicity to the utmost length, ought to proscribe all alienation; consequently, all dependence among men; consequently, all subordination: every one

bridges, traced roads, and by degrees has come, in different ages, to please and gratify his inclinations, by numberless occupations and pursuits, constantly dictated to him by his wants; that is, by his imperfections, and by the desires which they inspire. When these are satisfied, his physical happiness is carried as far as possible; but as mankind seldom remain in a state of contentment, and that our nature constantly prompts us to add something new to our former enjoyments, so it naturally happens, that societies once established, and living in peace, pass from one degree of refinement to another, that is to say, man daily becomes more laborious.

ought to be entirely dependent upon his own labor, and nothing else.

Were man either restored to his primitive state of innocence, or reduced to a state of brutality; were his pursuits either purely spiritual, or did they extend no farther than to the gratification of his animal desires, and acquisition of his physical-necessary; such an economy might be compatible with society. But as we stand in a middle state between the two, and have certain desires which participate of the one and of the other, the gratification of which constitute what we have called our *political-necessary* (which we cannot procure to ourselves, because the very nature of it implies superiority and subordination, as well as a mutual dependence among men) a total obstruction to alienation becomes compatible with government, consequently with human society; and this being the case, all simplicity of manners is only relative. Our fathers looked upon the manners of their ancestors as simple, these again admired the simplicity of the patriarchs; and perhaps the time may come, when the manners of the eighteenth century may be called the noble simplicity of the ancients.

As simplicity of manners is therefore relative, let us decide, that as long as superfluity does more good in providing for the poor, than hurt in corrupting the rich; so far it is to be approved of and no farther.

Here it is urged, that since superfluity is only good, so far as it provides subsistence for the poor, why may not the pursuits of industry be turned

towards objects which cannot corrupt the mind? Why, in place of fine clothes, elegant entertainments, magnificent furniture, carving, gildings, and embroidery, with all the splendor to be seen in palaces, gardens, operas, balls, and masquerades, processions, shows, horse-races, and diversions of every kind, why might not, I say, the multitudes which are employed in supplying these transitory gratifications of human weakness (not to call them by a worse name) be employed in making highways, bridges, canals, fountains, fortifications, harbours, public buildings, and a thousand other works, both useful to society, and of good example to succeeding generations? Such employments are eternal monuments of grandeur, they are of lasting utility, and are no more to be compared to the trifling industry of our days, than an Egyptian pyramid is to be compared with the luxury of Cleopatra, or the *via appia* with the suppers of Heliogabalus. This was the taste in the virtuous days of ancient simplicity: the greatness of a people appeared in the magnificence of useful works, and as virtue disappeared, a luxury resembling that of modern times took place. The aqueducts, common sewers, temples, highways, and burying places were the ornaments of consular Rome. The imperial grandeur of that city shone out in amphitheatres and baths; and the turpitude of manners (say the patrons of simplicity) which brought on the decline, ought to terrify those who make the apology of modern luxury and dissipation.

In order to set this question in a clear light, and

to do justice both to the ancients and moderns, let us once more enter into an examination of circumstances, and seek for effects in the causes which produce them. These are uniform in all ages; and if manners are different, the difference must be accounted for, without overturning the principles of reason and common sense.

QUEST. 7. In what manner, therefore, may a statesman establish industry, so as not to destroy simplicity, nor occasion a sudden revolution in the manners of his people, the great classes of which are supposed to live secure in ease and happiness; and, at the same time, so as to provide every one with necessaries who may be in want?

The observations we are going to make will point out the answer to this question: they will unfold still farther the political economy of the ancients, and explain how manners remained so pure from vicious luxury, notwithstanding the great and sumptuous works carried on, which strike us with so lofty an idea of their useful magnificence and noble simplicity. These observations will also confirm the justness of a distinction made, in the first chapter of this book, between labor and industry; by showing that *labor* may ever be procured, even by force, at the expense of furnishing man with his physical-necessary, from which no superfluity can proceed: whereas industry cannot be established, but by an adequate equivalent, proportioned, not to the absolutely necessary, but to the reasonable desire of the industrious; which equivalent becomes afterwards the means of diffusing a luxurious disposition among all the classes of a people.

If a statesman finds certain individuals in want, he must either feed them, in which case he may employ them as he thinks fit; or he must give them a piece of land, as the means of feeding themselves. If he gives the land, he can require no equivalent for it, because a person who has nothing can give nothing but his labor; and if he be obliged to labor for his food, he cannot purchase with labor the earth itself, which is the object of it. If it be asked, whether a statesman does better to give the food, or to give the land? I think it will appear very evident, that the first is the better course, because he can then exact an equivalent; and since in either way the person is fed, the produce of his labor is always clear gain. But in order to give the food, he must have it to give; in which case, it must either be a surplus-produce of public lands, or a contribution from the people. In both which cases, is implied a labor carried on beyond the personal wants of those who labor the ground. If this fund be applied in giving bread to those whom he employs in improving the soil of the country in general, it will have no immediate effect of destroying the simplicity of their manners; it will only extend the fund of their subsistence. If he employs them in making highways, aqueducts, common sewers, bridges, and the like; it will extend the correspondence between the different places of the country, and render living in cities more easy and agreeable: and these changes have an evident tendency towards destroying simplicity. But here let it be remarked, that the simplicity of individuals is not hurt by the industry carried on at the expense of the public.

public. The superfluous food at the statesman's disposal, is given to people in necessity, who are employed in relieving *the wants of the public, not of private persons*. But if, in consequence of the roads made, any inhabitant shall incline to remove from place to place in a chariot, instead of riding on horse-back, or walking, he must engage some body to make the machine: this is a farther extension to occupation, on the side of those who labor; but the consequence of the employment is very different, when considered with regard to the simplicity of manners. The reason is plain: the ingenuity here must be paid for; and this superfluity in the hands of the workman is a fund for his becoming luxurious.

Industry destroys simplicity of manners in him who gives an equivalent for an article of superfluity; and the equivalent given frequently gives rise to a subordinate species of luxury in the workman. When industry therefore meets with encouragement from individuals, who give an equivalent in order to satisfy growing desires, it is a proof that they are quitting the simplicity of their manners. In this case, the wants and desires of mankind prove the mother of industry, which was the supposition in the first book; because, in fact, the industry of Europe is owing to this cause alone.

But the industry of ancient times was very different, where the multitude of slaves ready to execute whatever was demanded, either by the state or by their masters, for the equivalent of simple maintenance only, prevented wealth from ever falling into the hands of industrious freemen; and he who has

no circulating equivalent to give for satisfying a desire of superfluity, must remain in his former simplicity. The labor therefore of those days producing no circulation, could not corrupt the manners of the people; because, remaining constantly poor, they never could increase their consumption of superfluity.

I must, in this place, insert the authority of an ancient author, in order both to illustrate and to prove the justness of this representation of the political economy of the ancients.

There remains a discourse of Xenophon upon the improvement of the revenue of the state of Athens. Concerning the authenticity of this work, I have not the smallest doubt. It is a *chef d'œuvre* of its kind, and from it more light is to be had, in relation to the subject we are here upon, than from any thing I have ever seen, ancient or modern.

From this ancient monument we learn the sentiment of the author with regard to the proper employment of the three principal classes of the Athenian people, viz. the citizens, the strangers, and the slaves. From the plan he lays down we plainly discover, that, in the state of Athens, (more renowned than any other of antiquity for the arts of luxury and refinement) it never entered into the imagination of any politician to introduce industry even among the lowest classes of the *citizens*; and Xenophon's plan was to reap all the benefits we at present enjoy from it, without producing any change upon the spirit of the Athenian people.

The state at this time was in use to impose taxes upon their confederate cities, in order to maintain

their own common people, and Xenophon's intention in this discourse was, not to lay down a plan, to make them maintain themselves by industry, but to improve the revenue of the state in such a manner as out of it to give every citizen a pension of three oboli a day, or three pence three farthings of our money.

I shall not here go through every branch of his plan, nor point out the resources he had fallen upon to form a sufficient fund for that purpose; but he says, that in case of any deficiency in the domestic revenue of the state, people from all quarters, Princes and strangers of note, in all countries, would be proud of contributing towards it, for the honor of being recorded in the public monuments of Athens, and having their names transmitted to posterity as benefactors to the state in the execution of so grand a design.

In our days, such an idea would appear ridiculous; in the days of Xenophon, it was perfectly rational. At that time great quantities of gold and silver were found locked up in the coffers of the rich: this was in a great measure useless to them, in the common course of life, and was the more easily parted with from a sentiment of vanity or ostentation.

In our days, the largest income is commonly found too small for the current expense of the proprietor. From whence it happens, that presents, great expense at funerals and marriages, godfathers gifts, &c. so very familiar among ourselves in former times, are daily going out of fashion. These are extraordinary and unforeseen expenses which our ancestors were fond of; because they flattered their vanity, without diminishing the fund of their current expense: but as

now we have no full coffers to fly to, we find them excessively burdensome, and endeavour to retrench them as soon as we can, not from frugality, God knows, but in consequence of a change in our manners.

Besides providing this daily pension of three pence three farthings a day for every citizen of Athens, rich and poor, he proposed to build, at the public charge, many trading vessels, a great many inns and houses of entertainment for all strangers in the sea ports, to erect shops, warehouses, exchanges, &c. the rents of which would increase the revenue, and add great beauty and magnificence to the city. In short, Xenophon recommends to the state to perform, by the hands of their slaves and strangers, what a free people in our days are constantly employed in doing in every country of industry. While the Athenian citizens continued to receive their daily pensions, proportioned to the value of their pure physical-necessary, their business being confined to their service in the army in time of war, their attendance in public assemblies, and the theatres in times of peace, clothed like a parcel of capucins, they, as became freemen, were taught to despise industrious labor, and to glory in the austerity and simplicity of their manners. The pomp and magnificence of the Persian Emperors were a subject of ridicule in Greece, and a proof of their barbarity, and of the slavery of their subjects. From this plain representation of Xenophon's plan, I hope, the characteristic difference between ancient and modern economy is manifest; and for such readers as take a particular delight in comparing

the systems of simplicity and luxury, I recommend the perusal of this most valuable discourse.

Combining, therefore, all these circumstances, and comparing them with the contrast which is found as to every particular, in our times, I think it is but doing justice to the moderns, to allow, that the extensive luxury which daily diffuses itself through every class of a people, is more owing to the abolishing of slavery, the equal distribution of riches, and the circulation of an adequate equivalent for every service, than to any greater corruption of our manners, than what prevailed among the ancients.

In order to have industry directed towards the object of public utility, the public, not individuals, must have the equivalent to give. Must not the employment be adapted to the taste of him who purchases it? Now, in ancient times, most public works were performed either by slaves, or at the price of the pure physical-necessary of free men. We find the price of a pyramid, recorded to us by Herodotus, in the quantity of turnips, onions, and garlic, consumed by the builders of it. Those who made the *via appia*, I apprehend, were just as poor when it was finished as the day it was begun; and this must always be the case, when the work requires no peculiar dexterity in the workmen. If, on the other hand, examples can be brought where workmen gained high wages, then the consequences must have been the same as in our days.

So long, therefore, as industry is not directed to such objects as require a particular address, which, by the principles laid down in the twenty-first chapter, raise profits above the physical-necessary, the

industrious never can become rich ; and if they are paid in money , this money must return into the hands of those who feed them : and if no superfluity be found any where , but in the hands of the state , such industry may consume a surplus of subsistence , but never can draw one penny into circulation. This I apprehend to be a just application of our principles , to the state of industry under the Roman republic , and that species of industry which we call *labor*. We are not therefore to ascribe the taste for employment in those days to the virtue of the times. A man who had riches , and who spent them , spent them no doubt then , as at present , to gratify his desires ; and if the simplicity of the times furnished no assistance to his own invention , in diversifying them , the consequence was , that the money was not spent , but locked up. I have heard many a man say , had I so much money I should know how to spend it. The thing is certainly true ; for people do not commonly take it into their head to lay it out for the public.

Nobody , I believe , will deny that money is better employed in building a house , or in producing something useful and permanent , than in providing articles of mere transitory superfluity. But what principle of politics can influence the taste of the proprietors of wealth ? This being the case , a statesman is brought to a dilemma ; either to allow industry to run into a channel little beneficial to the state , little permanent in its nature , or to deprive the poor of the advantage resulting from it. May I not farther suggest , that a statesman , who is at the head of a people ,

whose taste is directed towards a trifling species of expense, does very well to diminish the fund of their prodigality, by calling in, by means of taxes, a part of the circulating equivalent which they gave for it? When once he is enriched by these contributions, he comes to be in the same situation with ancient statesmen, with this difference, that they had their slaves at their command, whom they fed and provided for; and that he has the free, for the sake of an equivalent with which they feed and provide for themselves. He then can set public works on foot, and inspire, by his example, a taste for industry of a more rational kind, which may advance the public good, and procure a lasting benefit to the nation.

I have said above, that the acquisition of money, by the sale of industry to strangers, or in return for consumable commodities, was a way of augmenting the general worth of a nation. Now I say, that whoever can transform the most consumable commodities of a country into the most durable and most beneficial works, makes a high improvement. If therefore meat and drink, which are of all things the most consumable, can be turned into harbours, high roads, canals, and public buildings, is not the improvement inexpressible? This is in the power of every statesman to accomplish, who has subsistence at his disposal; and beyond the power of all those who have it not. There is no occasion for money to improve a country. All the magnificent buildings which ornament Italy are a much more proper representation of a scanty subsistence, than of the gold and silver found in that country at the time they were executed. Let me

now conclude with a few miscellaneous observations on what has been said.

OBSER. 1. When I admire the magnificence and grandeur of public works in any country, such as stupendous churches, amphitheatres, roads, dikes, canals; in a word, when I examine Holland, the greatest work perhaps ever done by man, I am never struck with the expense. I compare them with the numbers of men who have lived to perform them. When I see another country well inhabited, where no such works appear, the contrast suggests abundance of reflections.

As to the first, I conclude, that while these works were carried on, either slavery, or taxes must have been established; because it seldom happens, that a Prince will, out of his own patrimony, launch out into such expenses, purely to serve the public. Public works are carried on by the public; and for this purpose, either the persons or purses of individuals, must be at its command. The first I call slavery; that is service: the second taxes; that is public contributions in money or in necessaries.

OBSER. 2. I farther conclude, that nothing is to be gathered from those works, which should engage us to entertain a high opinion of the wealth, or other species of magnificence in the people who executed them. All that can be determined positively concerning their economy as to this particular, is, that at the time they were performed, agriculture must have been exercised as a trade, in order to furnish a surplus sufficient to maintain the workmen; or that subsistence must have come from abroad, either as a

return for other species of industry, or gratuitously, that is, by rapine, tribute, &c.

OBSER. 3. That the consequence of such works, is, to make meat, drink, and necessaries circulate, from the hands of those who have a superfluity of them, into those who are employed to labor; or to oblige those who formerly worked for themselves only, to work also in part for others. To execute this, there must be a subordination: for who will increase his labor, voluntarily, in order to feed people who do not work for him, but for the public? This combination was neglected throughout the first book; because we there left mankind at liberty to follow the bent of their inclinations. This was necessary to give a right idea of the subject we then intended to treat, and to point out the different effects of slavery and liberty; but now, that we have formed trading nations, and riveted a multitude of reciprocal dependencies, which tie the members together, there is less danger of introducing restraints; because the advantages which people find, from a well ordered society, make them put up the better with the inconveniencies of supporting and improving it. It is an universal principle, that instruction must be given with gentleness. A young horse is to be caressed when the saddle is first put upon his back: any thing that appears harsh, let it be ever so useful or necessary, must be suspended in the beginning, in order to captivate the inclination of the creature which we incline to instruct.

OBSER. 4. When a statesman knows the extent and quality of the territory of his country, so as

to be able to estimate what numbers it may feed ; he may lay down his plan of political economy , and chalk out a distribution of inhabitants , as if the number were already compleat. It will depend upon his judgment alone , and upon the combination of circumstances , foreign and domestic , to distribute , and to employ the classes , at every period during this execution , in the best manner to advance agriculture , so as to bring all the lands to a thorough cultivation. A ruling principle here , is , to keep the husbandmen closely employed , that their surplus may be carried as high as possible ; because this surplus is the main spring of all alienation and industry. The next thing is to make this surplus circulate ; no man must eat of it for nothing. What a prodigious difference does a person find , when he considers two countries , equally great , equally fertile , equally cultivated , equally peopled , the one under the economy here represented ; the other , where every one is employed in feeding and providing for himself only.

A statesman , therefore , under such circumstances , should reason thus : I have a country which maintains a million of inhabitants , I suppose , and which is capable of maintaining as many more ; I find every one employed in providing for himself , and considering the simplicity of their manners , a far less number will be sufficient to do all the work : the consequence is , that many are almost idle , while others , who have many children , are starving. Let me call my people together , and show them the inconvenience of having no roads. He

proposes that every one who chuses to work at those shall be fed and taken care of by the community, and his lands distributed to those who incline to take them. The advantage is felt, the people are engaged to work a little harder, so as to overtake the cultivations of the portions of those who have abandoned them. Upon this revolution, labor is increased, the soil continues cultivated as before, and the additional labor of the farmers appears in a fine high road. Is this any more than a method to engage one part of a people to labor, in order to maintain another?

OBSER. 5. Here I ask, whether it be not better to feed a man, in order to make him labor and be useful, than to feed him in order to make him live and digest his victuals? This last was the case of multitudes during the ages of ancient slavery, as well as the consequence of ill directed modern charity. One and the other being equally well calculated for producing a simplicity of manners: and Horace has painted it to the life, when he says,

Nos numerus sumus, & fruges consumere nati.

This I have heard humorously translated, though nastily I confess; We add to the number of t—d—mills. A very just representation of many of the human species! to their shame be it spoken, as it equally casts a reflection on religion and on government.

Consistently with these principles, we find no great or public work carried on in countries of great liberty. Nothing of that kind is to be seen among the Tartars, or hunting Indians. These I

call free nations, but not our European republics, where I have found just as much subordination and constraint as any where else.

I have, on several occasions, let drop some expressions with regard to charity, which I am sensible might be misinterpreted. It will therefore be proper to make some apology, which no body can suspect of insincerity; because my reason for introducing it, is with a view to a farther illustration of my subject.

When I see a rich and magnificent monastery of begging friars, adorned with profusion of sculpture, a stupendous pile of building, stately towers, incrustations of marble, beautiful pavements; when I compare the execution and the expense of all these, with the faculties of a person of the largest fortune, I find there is no proportion between what the beggars have executed with the produce of private charities, and what any Lord has done with his overgrown estate. Nay monasteries there are which; had they been executed by Princes, would have been cited by historians, from generation to generation, as eternal monuments of the greatest prodigality and dissipation. Here then is an effect of charity, which I have heard condemned by many, and I think without much reason. What prostitution of riches! say they: how usefully might all this money have been employed, in establishing manufactures, building a navy, and in many other good purposes? Whereas I am so entirely taken up with the effects arising from the execution of the work, that I seldom give myself time to reflect

upon its intention. The building of this monastery has fed the industrious poor, has encouraged the liberal arts, has improved the taste of the inhabitants, has opened the door to the curiosity of strangers: and when I examine my purse, I find that in place of having contributed to the building of it from a charitable disposition, my curiosity to see it has obliged me to contribute my proportion of the expense. I spend my money in that country, and so do other strangers, without bringing away any thing for it. No balance of trade is clearer than this. The miraculous tongue of St. Anthony of Padua, has brought more clear money into that city than the industry of a thousand weavers could have done: the charity given is not to the monks, but to the poor whom they employ. If young wits, therefore, make a jest of such a devotion; I ask, who ought to be laughed at, those who give, or those who receive money for the show?

In a country where such works are usually carried on, they cease in a great measure to be useful, whenever they are finished; and a new one should be set on foot directly, or what will become of those who are without work? It must not be concluded from this, that the usefulness of public works is not a principal consideration. The more a work is useful after it is done, so much the better; because it may then have the effect of giving bread to those who have not built it. But whether useful or not afterwards, it must be useful while it is going on; and many, who with pleasure will give a thousand pounds to adorn a church, would not give a shilling to build Westminster.

bridge, or the port of Rochefort; and the poor live equally by the execution of either. Expensive public works, are therefore a means of giving bread to the poor, of advancing industry, without hurting the simplicity of manners; which is an answer to the seventh question.

OBSER. 6. Great works found in one country, and none found in another, is no proof that the first have surpassed the second in labor and industry: the contrast only marks the different division of property, or taste of expense. Every undertaking marks a particular interest. Palaces are a representation of rich individuals; snug boxes, in the neighbourhood of cities, represent small but easy fortunes; huts point out poverty; aqueducts, highways, &c. testify an opulent common good: and if these be found in a country where no vestige of private expense appears, I then must conclude, they have been executed by slaves, or by oppression; otherwise somebody, at least, would have gained by the execution; and his gains would appear in one species of expense or another.

OBSER. 7. In countries where fortunes have been unequally divided, where there have been few rich and many poor, it is common to find lasting monuments of labor; because great fortunes only are capable of producing them. As a proof of this let us compare the castles of ancient times (I mean four or five hundred years ago) with the houses built of late. At that time fortunes were much more unequal than at present, and accordingly we find the habitations of the great in most countries not numerous, but of an extraordinary bulk and solidity. Now a building is

never to be judged of by the money it cost, but by the labor it required. From the houses in a country I judge of the opulence of the great, and of the proportion of fortunes among the inhabitants. The taste in which these old castles are built, marks the power of those who built them, and, as their numbers are small, we may judge, from the nature of man, who loves imitation, that the only reason for it was, that there were few in a condition to build them. Why do we find in modern times a far less disproportion between the conveniency with which every body is lodged, than formerly; but only because riches are more equally divided, from the operations of industry above-described.

OBSER. 8. From this we may gather, that lasting monuments are no adequate measure of the industry of a country. The expence of a modern prince, in a splendid court, numerous armies, frequent journeys, magnificent banquets, operas, masquerades, tournaments, and shows, may give employment and bread to as many hands, as the taste of him who built the pyramid; and the smoke of the gun-powder at his reviews, of the flambeaus and wax lights at his entertainments, may be of as great use to posterity, as the shadow of the pyramid, which is the only visible effect produced by it; but the one remains for ever, the other leaves no vestige behind it. The very remaining of the work, however useless in itself, becomes useful, in so far as it is ornamental, inspires noble sentiments of emulation to succeeding princes, the effects of which will still be productive of the good consequences of keeping people employed.

The expence of the other flatters the senses, and gives delight: there is no question of choice here. All useless expence gratifies vanity only; accident alone makes one species permanent, another transitory.

Those who have money may be *engaged* to part with it in favor of the poor, but never forced to part with it, to the prejudice of their posterity. Inspire, if you can, a good and useful taste of expence; nothing so right; but never check the dissipation of ready money, with a view to preserve private fortunes. Leave such precautions to the prudence of every individual. Every man, no doubt, has as good a right to perpetuate and provide for his own posterity, as a state has to perpetuate the welfare of the whole community; it is the combination of every private interest which forms the common weal. From this I conclude, that, without the strongest reasons to the contrary, perpetual substitutions of property should be left as free to those who possess lands, as locking up in chests should be permitted to those who have much money.

QUEST. 8. What are the principles which influence the establishment of mercantile companies; and what effects do these produce upon the interests of trade?

There is a close connexion between the principles relating to companies, and those we have examined in the twenty-third chapter, concerning corporations. The one and the other have excellent consequences, and both are equally liable to abuse. A right examination of principles is the best method to advance the first, and to prevent the latter.

The

The advantages of companies are chiefly two.

1. That by uniting the *stocks* of several merchants together, an enterprize far beyond the force of any one, becomes practicable to the community.

2. That by uniting the *interests* of several merchants, who direct their *foreign* commerce towards the same object, the competition between them *abroad* is taken away; and whatever is thus gained, is so much clear profit, not only to the company, but to the society of which they are members.

It is in consideration of the last circumstance, that companies for foreign commerce have a claim to extensive privileges. But no encouragement given to such associations should be carried farther than the public good necessarily requires it should be. The public may reward the ingenuity, industry and inventions of particular members, and support a private undertaking as far as is reasonable; but every encouragement given, ought to be at the expense of the whole community, not at that of particular denominations of inhabitants.

The disadvantages proceeding from companies are easily to be guessed at, from the very nature of the advantages we have been setting forth: and the relation between the one and the other will point out the remedies.

1. The weight of money in the hands of companies, and the public encouragement given them, crush the efforts of private adventurers, while their success inspires emulation, and a desire in every individual to carry on a trade equally profitable.

Here a statesman ought nicely to examine the

advantages which the company reaps from the incorporation of their stock, and those which proceed from the public encouragement given to the undertaking; that with an impartial hand, he may make an equal distribution of public benefits. And when he finds it impossible to contribute to the advancement of the public good, by communicating the privileges of companies to private adventurers, he ought to facilitate the admittance of every person properly qualified into such associations.

2. The second disadvantage of companies, is, a concomitant of that benefit so sensibly felt by the state, from the union of their interest, while they purchase in foreign markets: the same union which, at the time of buying, secures the company from all competitions, proves equally disadvantageous to those who purchase from them at home. They are masters of their price, and can regulate their profits by the *height* of demand; whereas they ought to keep them constantly proportioned to the real value of the merchandize.

The advantages resulting from the union of many private stocks is common to all companies; but those we have mentioned to proceed from the union of their interest, is peculiar to those who carry on an exclusive trade in certain distant parts of the world. We have, in a former chapter, laid down the maxims which influence the conduct of a statesman in regulating the prices of merchandize, by watching over the balance of work and demand, and by preserving the principles of competition in their full activity. But here a case presents itself,

where, upon one side of the contract, competition can have no effect, and where its introduction, by destroying the exclusive privilege of the company to trade in certain countries, is forbid for the sake of the public good.

What method, therefore, can be fallen upon to preserve the advantage which the nation reaps from the company's buying in foreign parts without being exposed to competition; and at the same time to prevent the disadvantage to which the individuals of the society are exposed at home, when they endeavour, in competition with one another, to purchase from a company, who, in virtue of the same exclusive privilege, are united in their interest, and become masters to demand what price they think fit.

It may be answered, that it cannot be said of companies as of private dealers, that they profit of every little circumstance of competition, to raise their price. Those have a fixed standard, and all the world buys from them at the same rate; so that retailers, who supply the consumption, have in one respect this notable advantage, that all buying at the same price, no one can undersell another; and the competition between them secures the public from exorbitant prices.

I agree that these advantages are felt, and that they are real; but still they prove no more than that the establishment of companies is not so hurtful to the interest of those who consume their goods, as it would be, could they profit to the utmost of their exclusive privilege in selling by retail. But it does not follow from this, that the profits upon such a

trade do not rise (in consequence of their privilege) above the standard proper for making the whole commerce of a nation flourish. The very jealousy and dissatisfaction, conceived by other merchants, equally industrious and equally well deserving of the public, because of the great advantages enjoyed by those incorporated, under the protection of exclusive privileges, is a hurt to trade in general, is contrary to that principle of impartiality which should animate a good statesman, and should be prevented if possible. Let us therefore go to the bottom of this affair; and, by tracing the progress of such mercantile undertakings, as are proper objects for the foundation of companies, and which entitle them to demand and to obtain certain exclusive privileges, let us endeavour to find out a method by which a statesman may establish such societies, so as to have it in his power to lay their inland sales under certain regulations, capable to supply the want of competition; and to prevent the profits of exclusive trade from rising, considerably, above the level of *that* which is carried on without any such assistance from the public.

While the interest of companies is in few hands, the union of the members is more intimate, and their affairs are carried on with more secrecy. This is always the case in the infancy of such undertakings. But the want of experience frequently occasions considerable losses; and while this continues to be the case, no complaints are heard against such associations. Few pretend to rival their undertaking, and it becomes at first more commonly the

object of raillery than of jealousy. During this period, the statesman should lay the foundation of his authority; he ought to spare no pains nor encouragement to support the undertaking; he ought to inquire into the capacity of those at the head of it; order their projects to be laid before him; and when he finds them reasonable, and well planned, he ought to take unforeseen losses upon himself: he is working for the public, not for the company; and the more care and expense he is at in setting the undertaking on foot, the more he has a right to direct the prosecution of it towards the general good. This kind of assistance given, entitles him to the inspection of their books; and from this, more than any thing, he will come at an exact knowledge of every circumstance relating to their trade. By this method of proceeding, there will be no complaints on the side of the adventurers, they will engage with chearfulness, being made certain of the public assistance, in every reasonable undertaking; their stock becomes in a manner insured, individuals are encouraged to give them credit, and from creditors they will naturally become associates in the undertaking. So soon as the project comes to such a bearing as to draw jealousy, the bottom may be enlarged by opening the doors to new associates, in place of permitting the original proprietors to augment their stock with borrowed money; and thus the fund of the company may be increased in proportion to the employment found for it, and every one will be satisfied.

When things are conducted in this way, the

authority of public inspection is no curb upon trade ; the individuals who serve the company are cut off from the possibility of defrauding : no mysteries, no secrets, from which abuses arise, will be encouraged ; trade will become honorable and secure, not fraudulent and precarious ; because it will grow under the inspection of its protector, who only protects it for the public good.

Why do companies demand exclusive privileges, and why are they ever granted, but as a recompence to those who have been at great expense in acquiring a knowledge which has cost nothing to the state ? And why do they exert their utmost efforts to conceal the secrets of their trade, and to be the only sharers in the profits of it, but to make the public refund tenfold the expense of their undertaking ?

When companies are once firmly established, the next care of a statesman, is, to prevent the profits of their trade from rising above a certain standard. We speak at present of those only, who, by exclusive privileges, are exposed to no competition at their sales. One very good method to keep down prices, is, to lay companies under a necessity of increasing their stock as their trade can bear it, by the admission of new associates ; for by increasing the company's stock, you increase, I suppose, the quantity of goods they dispose of, and consequently diminish the competition of those who demand of them : but as even this will not have the effect of reducing prices to the adequate value of the merchandize (a thing only to be done by competition)

the statesman himself may interpose an extraordinary operation. He may support high profits to the company, upon all articles of luxury consumed at home, in favor of keeping down the prices of such goods as are either for exportation or manufacture.

This can only be done when he has companies to deal with: in every other case, the principles of competition between different merchants, trading in the same goods, upon separate interests, makes the thing impossible. But where the interests of the sellers, which are the company, are united, and where there is no competition, they are masters of their price, according to the principles laid down in the seventh chapter. Now, provided the dividend upon the whole stock be a sufficient recompence both for the value of the fund, and the industry of those who are employed to turn it to account, the end is accomplished. Extraordinary profits upon any particular species of trade cast a discouragement upon all others.

We very frequently see that great trading companies become the means of establishing public credit; on which occasions, it is proper to distinguish between the trading stock of the company, which remains in their possession, and the actions, bonds, annuities, contracts, &c. which carry their name, and which have nothing but the name in common. The price of the first is constantly regulated by the profits upon the trade; the price of the other, by the current value of money.

Let me next observe the advantage which might result to a nation, from a prudent interposition of

the statesman, in the regulation of a tariff of prices for such goods as are put to sale without any competition on the side of the sellers.

The principles we have laid down, direct us to proscribe, as much as possible, all foreign consumption, especially that of work; and to encourage as much as possible the exportation of it. Now, if what the India company of England, for example, sells to strangers, and exports for a return in money, is equal to the money she herself has formerly exported, the balance upon the India trade will stand even. But if the competition of the French and Dutch is found hurtful to the English company in her outward sales, may not the government of that nation lend a hand towards raising the profits of the company, upon tea, china, and japan wares, which are articles of superfluity consumed by the rich, in order to enable the company to afford her silk and cotton stuffs to strangers, at a more reasonable rate? These operations, I say, are practicable, where a company sells without competition, but are never to be undertaken, but when the state of its affairs are perfectly well known; because the prices of exportable goods might, perhaps, be kept up by abuse and mismanagement, and not by the superior advantages which other nations have in carrying on a like commerce. The only remedy against abuse is reformation. But how often do we see a people laid under contribution in order to support that evil!

Companies, we have said, owe their beginning to the difficulties to which an infant commerce is exposed: these difficulties once surmounted, and

the company established upon a solid foundation, new objects of profit present themselves daily; so much, that the original institution is frequently eclipsed, by the necessary interests of the society. It is therefore the business of a statesman to take care that the exclusive privileges granted to a society, for a certain purpose, be not extended to other interests, nowise relative to that which set the society on foot, and gave it a name. And when exclusive privileges are given, a statesman should never fail to stipulate for himself, a particular privilege of inspection into all the affairs of the company, in order to be able to take measures which effectually prevent bad consequences to the general interest of the nation, or to that of particular classes.

Let this suffice at present, as to the privileges enjoyed by companies in foreign trade. Let me now examine the nature of such societies in general, in order to discover their influence on the mercantile interests of a nation, and how they tend to bring every branch of trade to perfection, when they are established and carried on under the eye of a wise administration.

Besides the advantages and disadvantages above mentioned, there are others found to follow the establishment of trading companies. The first proceed from *union*, that is, a common interest: the last from *disunion*, that is, from separate interests.

A common interest unites, and a separate interest disunites the members of every society; and did not the first preponderate among mankind, there would be no society at all. Those of the same

nation may have a common interest relative to foreigners, and a separate interest relative to one another; those of the same profession may have a common interest relative to the object of their industry, and a separate interest relative to the carrying it on: the members of the same mercantile company may have the same interest in the dividend, and a separate interest in the administration of the fund which produces it. The children of the same family, nay even a man and his wife, though tied by the bonds of a common interest, may be disjoined by the effects of a separate one. Mankind are like loadstones, they draw by one pole, and repel by another. And a statesman, in order to cement his society, should know how to engage every one, as far as possible, to turn his attracting pole towards the particular centre of common good.

From this emblematical representation of human society, I infer, that it is dangerous to the common interest, to permit too close an union between the members of any subaltern society. When the members of these are bound together, as it were by every articulation, they in some measure become independent of the great body; when the union is less intimate, they admit of other connexions, which cement them to the general mass*.

* This was writ before the society of Jesuits was suppressed in France.

Companies ought to be permitted, consistently with these principles. Their mercantile interests alone ought to be united, in so far as union is required to carry on their undertaking with reasonable profits; but beyond this, every subaltern advantage by which the associates might profit, in consequence of their union, ought to be cut off; and the public should take care to support the interest of any private person against them, on all occasions, where they take advantage of their union to hurt the right of individuals. Let me illustrate this by an example. Several weavers, fishermen, or those of any other class of the industrious, unite their stocks, in order to overcome those difficulties to which single workmen are exposed, from a multiplication of expenses, which might be saved by their association. This company makes a great demand for the materials necessary for carrying on their business. By this demand they attach to themselves a great many of the industrious not incorporated, who thereby get bread and employment. So far these find an advantage: but in proportion as the undertaking is extended, and the society becomes able to engross the whole, or a considerable part of such a manufacture, they destroy their competitors; and by forming a single interest, in the purchase of the materials requisite, and in the sale of their manufactures, they profit in the first case, by reducing the gains of their subaltern assistants below the proper standard; and in the second, they raise their own profits too far above what is necessary.

The method, therefore, to prevent such abuses,

is, for a statesman to interpose; not by restraining the operations of the company, but by opposing the force of principles similar to those by which they profit, in such a manner as to render their unjust dealings ineffectual. If the weavers oppress the spinners, for instance, methods may be fallen upon, if not by incorporating the last, at least by uniting their interests, so as to prevent a hurtful competition among them. He may discourage too extensive companies, by establishing and supporting others, which may serve to preserve competition; and he may punish, severely, every transgression of the laws, tending to establish an arbitrary dependence on the company. In short, while such societies are forming, he ought to be their protector; and when they are formed, he ought to take those whom they might be apt to oppress under his protection.

In establishing companies for manufactures, it is a good expedient to employ, in such undertakings, none but those who have been bred to the different branches of their business. When people of fortune, ignorant and projecting, interest themselves in infant manufactures, with a view to become suddenly rich, they are so bent upon making vast profits, proportioned to their stock, that their hopes are generally disappointed, and the undertaking fails. Pains-taking people, bred to frugality, content themselves with smaller gains; but under the public protection, these will swell into a large sum, and the accumulation of small profits will form a new class of opulent people, who adopt, or rather retain the sentiments of frugality with which they were born.

Thus, for instance, in establishing fisheries, in place of private subscriptions from those who put in their money from public spirit, and partly with a view to draw an interest for it; or from those who are allured by the hopes of being great gainers in the end, (the last I call projectors) the public should be at the great expense requisite; and coopers, sail-makers, rope-makers, ship-carpenters, net-makers; in short, every one useful to the undertaking, should be gratuitously taken in for a small share of the profits; and by their being lodged together in a building, or town, proper for carrying it on, every workman becomes an undertaker to the company, for the articles of his own work. No man concerned directly in the enterprize, should reside elsewhere than in the place: any one of the associates may undertake to furnish what cannot be manufactured at home at fixed prices. Thus the whole expense of the public in the support of the undertaking, may circulate through the hands of those who carry it on; and every one becomes a check upon another, for the sake of the dividend upon the general profits. One great advantage in carrying on undertakings in this manner, is, that although those concerned draw no profit at all upon the undertaking itself, they find their account in it, upon the several branches of their own industry. The herring trade was at first set on foot in Holland by a company of merchants, who failed; and their stock of busses, stores, &c. being sold at an under-value, were bought by private people, who had been instructed (at the expense of the company's miscarriage)

in every part of the trade, and who carried it on with success. Had the company been set up at first in the manner here mentioned, their trade would never have suffered any check.

C H A P. XXXI.

Recapitulation of the Second Book.

HAVING paved the way in the first book, for a particular inquiry into the principles of modern political economy; in the introduction to this, I show that the ruling principle of the science, in all ages, has been to proceed upon the supposition that every one will act, in what regards the public, from a motive of private interest; and that the only public spirited sentiment any statesman has a right to exact of his subjects, is their strict obedience to the laws. The union of every private interest makes the common good: this it is the duty of a statesman to promote; this consequently ought to be the motive of all his actions; because the goodness of an action depends on the conformity between the motive and the duty of the agent. We can, therefore, no more subject the actions of a statesman to the laws of private morality, than we can judge of the dispensations of providence by what we think right and wrong *.

* From the want of attending duly to this distinction, some have been led into the blasphemy of imputing evil to the Supreme Being. There is no such thing as evil in the

CHAP. I. In treating the principles of any science, many things must be blended together, at first, which in themselves are very different. In the first book I considered multiplication and agriculture as the same subject; in the second, trade and industry are represented as mutually depending on one another. To point out this relation, I give a definition of the one and the other, by which it appears, that to constitute trade, there must be a consumer, a manufacturer, and a merchant. To constitute their industry, there must be freedom in the industrious. His motive to work must be in order to procure for himself, by the means of trade, an equivalent, with which he may purchase every necessary, and remain with something over, as the reward of his universe; all is good, all is absolutely perfect. The most flagitious actions tend to universal good: even these, in one respect, may be called the actions of God, as all that is done is done by him; but with respect to the *motive* which God had in doing them, it is pure in the most sublime degree; the action is impious and wicked, with respect only to the agent; and his wickedness does not proceed from the action itself, but from the want of conformity between his duty and his motive in acting. Now if the punishment of such a transgression (which is also considered as the action of the Supreme Being) enters into the system of general good, is it not a monstrous folly to call it unjust? We know the duties of man, we know the duties of governors, but we know not the duties of God, if we may be allowed to make use of so very improper an expression, and it is for this reason only, that we cannot judge of the goodness of his providence. We must therefore take it for granted; and this is one object of what divines call *faith*, the belief of things not seen, when the disbelief of them would imply an absurdity.

diligence. Consequently, industry differs from labor, which may be forced, and which draws no other recompence, commonly, than bare subsistence. Here I take occasion to show the hurtful effects of slavery on the progress of industry; from which I conclude, that its progress was in a great measure prevented by the subordination of classes under the feudal government; and that the dissolution of that system established it. Whether trade be the cause of industry, or industry the cause of trade, is a question of little importance, but the principle upon which both depend is a taste for superfluity in those who have an equivalent to give; this taste is what produces *demand*, and this again is the main spring of the whole operation.

CHAP. II. We have substituted throughout this book, the term *demand*, to express the idea we conveyed in the last by that of *wants*; and since the subject becomes more complex, and that we have many more relations to take in, I must make a recapitulation of all the different acceptations of this term *demand*.

Demand, in the first place, is always relative to *merchandize*; it is the buyer who demands; the Seller offers to sale. 2. It is said to be *reciprocal*, when there is a double operation, that is, when the feller in the first, becomes the buyer in the second case; and then, taking the two operations in one view, we call those *demanders* who have paid the highest price. 3. Demand is *simple*, or *compound*; *simple*, when there is no competition among the buyers; *compound*, when there is. 4. It is *great* or *small*, according to the *quantity* demanded.

demanded. And 5. *high or low*, according to the *price* offered. The nature of a *gradual* increase of demand, is to encourage industry, by augmenting the supply; that of a *sudden* increase, is to make prices rise. This principle has not every where the same efficacy in producing these varieties: it is checked in its operations between merchants, who seek their profit; and it is accelerated among private people, who seek for subsistence, necessities, or luxurious gratifications.

CHAP. III. I come next to deduce the origin of trade and industry, which I discover from the principles of the first book, where bartering of necessities was understood to be trade; and I find that the progress of this is owing to the progress of multiplication and agriculture. When a people arrive at a moral impossibility of increasing in numbers, there is a stop put to the progress of barter. This grows into trade, by the introduction of a new want (money) which is the universal object of desire to all men. While the desires of man are regulated by their physical wants, they are circumscribed within certain limits. So soon as they form to themselves others of a political nature, then all bounds are broken down. The difficulty of adapting wants to wants, naturally introduces money, which is an adequate equivalent for every thing. This constitutes sale, which is a refinement on barter. Trade is only a step farther; it is a double sale, the merchant buys, not for himself, but for others. A merchant is a machine of a complex nature. Do you want, he supplies you; have you any superfluities, he relieves you of them; do you want some

of the universal equivalent money, he gives it you, by creating in you a credit in proportion to your circumstances. The introduction of so useful a machine, prompts every one to wish for the power of using it; and this is the reason why mankind extend their labor beyond the mere supply of their physical wants.

Trade therefore abridges the tedious operations of sale and barter, and brings to light many things highly important for individuals, who live by relieving the wants of others, to know. It marks the standard of *demand*, which is, in a manner, the voice of the statesman, conducting the operations of industry towards the relief of wants; and directing the circulation of subsistence towards the habitations of the necessitous.

CHAP. IV. The consequence of this, is to determine the value of commodities, and to mark the difference between *prime cost* and *selling prices*. The first depends upon the time employed, the expense of the workman, and the value of the materials. The second is the sum of these, added to the profit upon alienation. It is of consequence to distinguish exactly between these two constituent parts of price, the cost and the profit: the first is invariable after the first determination, but the second is constantly increasing, either from delay in selling off, or by the multiplicity of alienations; and the more exactly every circumstance with regard to the whole analysis of manufactures is examined, the easier it is for a statesman to correct every vice or abuse which tends to carry prices beyond the proper standard.

CHAP. V. Nothing tends to introduce an advantageous foreign trade more than low and determined prices. In the first place, it draws strangers to market. This we call *passive commerce*. Secondly, it gives merchants an opportunity to distribute the productions of their country with greater advantage among other nations, which is what we call *active foreign trade*. In this chapter, I trace the effects of the last species. I show how merchants profit at first of the ignorance of their correspondents; how they engage them to become luxurious; how the competition between themselves, when profits are high, make them betray one another; and how the most ignorant savages are taught to take advantage of the discovery; how this intercourse tends to unite the most distant nations, as well as to improve them; and how naturally their mutual interest leads them to endeavour to become serviceable to one another.

CHAP. VI. I next endeavour to show the effects of trade upon those nations who are passive in the operation. Here I take an opportunity of bringing in a connexion between the principles of trade, and those of agriculture, and I show on what occasions passive trade may tend to advance the cultivation of lands, and when it cannot. Upon this, I build a principle, that when passive trade implies an augmentation of the domestic consumption of subsistence, in order to carry it on, then will agriculture be advanced by it, and not otherwise; and as the first is commonly the case, from this I conclude, that

trade naturally has the effect of increasing the numbers of mankind in every country where it is established. I next trace the consequences of a growing taste for superfluity, among nations living in simplicity; and I show how naturally it tends to promote industry among the lower classes, providing they be free; or to make them more laborious, supposing them to be slaves: from which I conclude, that where the advancement of refinement requires the head, that is, the ingenuity and invention of man, those who are free have the advantage; and where it requires hands, that is to say labor, that the advantage is on the side of the slaves: slavery, for example, might have made Holland; but liberty alone could have made the Dutch.

CHAP. VII. Having given a rough idea of trade in general, I come to a more accurate examination of the principles which a statesman must keep in view, in order to carry it to perfection, by rendering it a means of promoting ease and affluence at home, as well as power and superiority abroad. As a private person becomes easy in his circumstances in proportion to his industry, and so rises above the level of his fellows, in like manner, does an industrious nation become wealthy, and acquires a superiority over all her less industrious neighbours.

The principle which set trade on foot we have shown to be *demand*, what supports it and carries it to its perfection is *competition*. These terms are often confounded, or at least so blended together as to produce ideas incorrect, dark, and often con-

tradictory: for this reason I have judged an analysis of them necessary, comparing them together, and pointing out their relations, differences, and coincidences.

Demand and *competition* are both relative to buying and selling; but *demand* can only be applied to buying, and *competition* may be applied to either.

Demand marks an inclination to have, *competition* an emulation to obtain a preference.

Demand can exist without *competition*, but *competition* must constantly imply *demand*.

Demand is called *simple*, when there appears only one interest on the side of the buyers.

Competition is called *simple*, when it takes place on one side of the contract only, or when the emulation is at least much stronger on one side than on the other.

Demand is called *compound*, when more interests than one are found among those who desire to buy.

Competition is called *compound*, when an emulation is found to prevail on both sides of the contract at once.

Simple competition raises prices; *double competition* restrains them to the adequate value of the merchandize.

While *double competition* prevails, the balance of work and demand stands even, under a gentle vibration; *simple competition* destroys and overturns it.

The objects of *competition* frequently determine its force. Merchants buy in order to sell; consequently, their *competition* is in proportion to their

views of profit. Hungry people buy to eat, and their *competition* is in proportion to their funds. The luxurious buy to gratify their desires, their *competition* is in proportion to these. Strong *competition* on one side, makes it diminish on the other; and when it becomes so strong as effectually to unite the interests on one side of the contract, then it becomes absolutely *simple*; this totally overturns the balance, and must in a short time destroy the divided interest.

CHAP. VIII. I next examine the relative terms of *expense*, *profit* and *loss*. The relations they bear, are often not expressed, which involves those who use them in ambiguities proper to be avoided. I therefore call expense *national*, when the national stock is diminished by it, in favor of other states; it is *public*, when the money proceeding from a national contribution is expended by the state within the country; and *private expense* is the laying out of money belonging to private people or private interests: this has no other effect than to promote domestic circulation. I farther distinguish between what we call *spending*, and what is called *advancing of money*; the first marks an intention to consume; the second marks a view to a subsequent alienation.

Profit is either *positive*, *relative*, or *compound*.

Positive, when some body gains and no body loses; *relative*, when some body gains exactly what is lost by another; and *compound*, when the gain of one implies a loss to another, but not equal to the full

value of the gain. The same distinction may be applied to loss.

CHAP. IX. Having laid down the fundamental principles which influence the operations of trade and industry, I take a view of their political consequences, and of the effects resulting to a state, which has begun to subject her political economy to the interests of commerce; and such a state I call a *trading nation*.

The first consequence is an augmentation of demand for the work of the people; because they begin now to supply strangers. If this augmentation is sudden, it will *raise* demand; if it be gradual, it will *increase* it. If prices rise upon one extensive branch of industry, they must rise upon all; because a competition for hands must take place: the farmer looks out for servants, and must dispute them with the loom; and the first must draw back his additional expense upon the sale of his articles of the first necessity. Upon this revolution, wo to those who cannot increase their fund of subsistence in proportion to the augmentation of their expense! Nothing is so agreeable as the gradual rise of profits upon industry, and nothing so melancholy as the stop, which is the necessary consequence of all augmentations. When prices rise high, the market is deserted, and other nations profit of this circumstance to obtain a preference. From hence I conclude, that the *rise* of demand is the forerunner of decay in trade; and the *augmentation* of it, the true foundation of lasting opulence. But as an augmentation of supply may imply an

augmentation of inhabitants, the statesman must constantly keep subsistence in an easy proportion to the demand for it: on this the whole depends. Plentiful subsistence is the infallible means of keeping prices low; and sudden and violent revolutions in the value of it, must ruin industry, in spite of a combination of every other favorable circumstance. The reason is plain: that article alone, comprehends two thirds of the whole expense of all the lower classes, and their gains must be in proportion to their expense; but as the gains of those who work for exportation are fixed, in a trading nation, by the effects of foreign competition, if their subsistence is not kept at an equal standard, they must live precariously, or in a perpetual vicissitude between plenty and want. From this may be gathered the infinite importance of distinguishing, in every trading nation, where the prices of subsistence are liable to great and sudden variations, these who supply strangers from those who supply their countrymen. As also the inconceivable advantage which would result from such a police upon grain, as might keep the price of it within determined limits.

CHAP. X. This doctrine leads me naturally to consider the proportions between *demand* and *supply*, and for the better conveying my ideas, I have considered them as two quantities suspended in the scales of a political balance, which I call that of *work and demand*; preferring the word *work* to that of *supply*, because it is the interests of the workmen which chiefly come under our consideration.

When the *work* is proportioned to the *demand*, the balance vibrates under the influence of double competition; trade and industry flourish: but as the operation of natural causes must destroy this equilibrium, the hand of a statesman becomes constantly necessary to preserve it.

After representing the different ways in which the balance comes to be subverted (by the *positive* or *relative* preponderancy of either scale) I point out the consequences of this neglect in the statesman's administration. If the scale of *work* should preponderate, that is, if there be more work than demand, either the workmen enter into a hurtful competition, which reduces their profit below the proper standard and makes them starve; or a part of the goods lie upon their hands, to the discouragement of industry. If the scale of demand should preponderate, then either prices will rise and profits consolidate, which prepares the way for establishing foreign rivalry, or the demand will immediately cease, which marks a check given to the growth of industry.

Every subversion, therefore, of this balance, implies one of four inconveniencies, either the industrious starve one another; or a part of their work provided lies upon hand; or their profits rise and consolidate; or a part of the demand made, is not answered by them. These I call the immediate effects of the subversion of this balance. I next point out the farther consequences which they draw along with them, when the statesman is not on his guard to prevent them.

A statesman must be constantly attentive, and so soon as he perceives a too frequent tendency in any one of the scales to preponderate, he ought gently to load the opposite scale, but never except in cases of the greatest necessity, take any thing out of the heavy one. Thus when the scale of demand is found to preponderate, he ought to give encouragement to the establishment of new undertakings, for augmenting the supply, and for preserving prices at their former standard: when the scale of work is on the preponderating hand, then every expedient for increasing exportation must be employed, in order to prevent profits from falling below the price of subsistence.

CHAP. XI. I next examine how this equal balance comes at last to be destroyed.

1^{mo}. The constant increase of work implies an augmentation of numbers, and consequently of food; but the quantity of food depends on the extent and fertility of the soil: so soon therefore as the soil refuses to give more food, it must be sought for from abroad, and when the expense of procuring it rises above a certain standard, subsistence becomes dear; this raises the prices, the market is deserted, and the scale of work is made to preponderate, until the industrious enter into a hurtful competition and starve one another: here the application of public money becomes necessary.

2^{do}. When an idle people, abundantly fed, betake themselves to industry, they can afford, for a while, manufactures at the cheapest rate: because they do not *live* by their industry, but *amuse them-*

selves with it. Hence the cheapness of all sorts of country work, in former times, and of Nuns work in those we live in. But when the lands become purged of superfluous mouths, and when those purged off come to be obliged to live by their industry alone, then prices rise, and the market is deserted.

3tio. When a statesman imprudently imposes taxes, in such a way as to oblige strangers to refund that part paid by the industrious who supply them; this also raises prices, and the market is deserted. Thus the operation of natural causes must bring every augmentation to a stop, unless the hand of a statesman be employed to check their immediate bad effects. When subsistence becomes scarce, and the improvement of lands too expensive, he must make the public contribute towards the improvement of the soil: when the price of subsistence still rises, from farther augmentations, he must keep it down with public money: and when this operation becomes too extensive, he must content himself with effectuating a diminution of price upon that part of subsistence which is consumed by those who supply foreign markets.

CHAP. XIII. Domestic vices alone are not sufficient to undo a trading nation; she must have rivals who are able to profit of them.

While her balance of *work* and *demand* is made to vibrate by alternate *augmentations*, she marches on triumphant, and has nothing to fear: when these come to a stop, she must learn how to stand still, by the help of alternate *augmentations* and

diminutions, until the abuses in other nations shall enable her again to vibrate by *augmentations*. But so soon as a preponderancy of the scale of work is rectified, by retrenching the number of the industrious, and that the vibrations of the balance are carried on by alternate *diminutions*, in favor of supporting high profits upon industry, then all goes to wreck, and foreign nations, in spite of every disadvantage attending new undertakings, establish a successful rivalship: they take the bread out of the mouths of those who formerly served them; and profiting of the advantages formerly enjoyed by the traders, they make their own balance vibrate by augmentations, which sink the trade of the others by slow degrees, until it becomes extinct.

CHAP. XIII. The rivalship between nations, leads me to inquire how far the form of their government may be favorable or unfavorable to the competition between them. Here I am led into a digression concerning the origin of power and subordination among men, so far as it is rational and consistent with natural equity; and I conclude, that all *subordination* between man and man, in whatever relation they stand to one another, ought to be in proportion to their *mutual dependence*. The degrees of which are as various as the shades of a color. I divide them however into four. 1. That of slaves upon their masters. 2. That of children upon their parents. 3. That of laborers upon the proprietors of lands. 4. That of the free hands, employed in trades and manufactures, upon their customers. And ascending a moment beyond my sphere, I say, that

the subordination of subjects to their sovereigns, in all free governments, extends no farther than to a punctual obedience to the laws. I then proceed to an examination of former principles, and from a confrontation of the politics of our ancestors with the modern system, I conclude, that the great political impediment to the progress of trade and industry, proceeds more from an arbitrary, irregular, and undetermined subordination between classes, and between individuals, than from differences in the regular and established form of their government, legislation, and execution or administration of the supreme authority. While laws only govern, it is of the less importance who makes them, or who puts them in execution.

CHAP. XIV. In this chapter I endeavour to amuse my reader with an application of our principles to the political economy of the Lacedemonian commonwealth, where I show, that trade and industry are not essential to security and happiness. By making an analysis of Lycurgus's plan, I show that its perfection was entirely owing to the simplicity of the institution.

CHAP. XV. I come next to the application of general principles to particular modifications of trade.

The balance of work and demand promotes the *foreign* and *domestic* interests of a nation, equally. The *first*, by advancing her power and superiority abroad; the *last*, by keeping every one employed and subsisted at home. These interests are influenced by principles entirely different; and this opens a new combination highly proper to be attended to.

In the first book, we considered the consumers and suppliers as members of the same society, and as having their interests blended together; but the moment that a question about foreign trade arises, they become entirely separated. Every country appears to be put under the direction of a particular statesman, and these must play against one another as if they were playing at chess. He who governs the consumers, must use his utmost endeavours to teach his people how to supply themselves. He who is at the head of the suppliers, must do what *he* can to render the efforts of the other ineffectual, by selling cheap, and by making it the immediate interest of the subjects of his rival to employ the suppliers preferably to his own countrymen. Here then are two plans, opposite and contrary, to be executed; and we endeavour to point out the principles which ought to influence the conduct of the respective undertakers, in every stage of their prosperity or decline. We lay down the methods of improving every favorable circumstance, so as to advance the end proposed, and show how to season every unavoidable inconvenience with the best palliatives, when a perfect remedy becomes impracticable.

CHAP. XVI. In this chapter I continue the thread of my reasoning, in order to draw the attention of my readers to the difference between the principles of *foreign* and *domestic* commerce; and setting the latter a - part for a subsequent examination, I enter upon an inquiry into the difference between those branches of foreign trade which make nations depend

on one another *necessarily*, and those where the dependence is only *contingent*. The first may be reckoned upon, but the last being of a precarious nature, the preservation of them ought to be the particular care of the statesman.

The method to be followed for this purpose, is, to keep the price of every article of exportation at a standard, proportioned to the possibility of furnishing it; and never to allow it to rise higher, let the foreign demand afford ever so favorable an opportunity. The danger to be avoided, is not the high profits, but the *consolidation* of them; this consideration, therefore, must direct the statesman's conduct in this particular. On the other hand, he must take care that the great classes of the industrious, who supply foreign demand, and who, from political considerations, are reduced to the *minimum* of profits, be not by an accidental diminution of that foreign demand reduced below this necessary standard: he therefore must supply the want of foreign demand, by procuring a sale, in one way or other, for whatever part of this industry is found to lie upon hand; and if loss be incurred in this operation, it is better that it should fall on the whole community, who may be able to bear it, than on a single class, who must be crushed under the burden.

CHAP. XVII. When manufacturers are found without employment, the first thing to be done is to inquire minutely into the cause of it. It may proceed from a rise in the price of subsistence, from a diminution of demand from abroad, or from new

establishments of manufactures at home; for each of which the proper remedy must be applied. The complaints of manufacturers are not the infallible sign of a decaying trade: they complain most when their exorbitant profits are cut off. The complaints of the real sufferers, those who lose *the necessary*, are feeble, and seldom extend farther than the sphere of their own misery. The true symptoms of a decaying trade, is to be sought for in the mansions of the rich, where foreign consumption makes its first appearance. A statesman will judge of the decay of *that trade which supports and enriches the people*, more certainly from the *ease* of the industrious classes, than from their *distress*. Foreign nations will willingly give *bread* to those who serve them, but very seldom *any thing more*; and from hence I conclude; that the more manufacturers are at their ease, the more a statesman ought to be upon his guard to prevent this temporary advantage from bringing on both national poverty and private distress.

When home consumption begins to be supplied from abroad, and when foreigners desert the market, or refuse our merchandize when we carry it to them, then we have an infallible proof of declining commerce; although the increase of home demand may immediately relieve every industrious person made idle, and even furnish them with better employment than ever, in supplying the luxury of their countrymen.

A statesman ought to be provided with remedies against every disease. When luxury is on the road of rooting out foreign trade, let him lie upon the
catch

catch to pick up every workman made idle from the caprice of fashions, in order to give him useful employment: he may set his own example in opposition to that of the more luxurious, and in proportion as he gains ground upon them, he must open every channel to carry off the manufactures of these he has set to work for the re-establishment of foreign trade. If, on the other hand, he himself be of a luxurious disposition, and that he inclines to encourage it, he ought to take care that the example of dissipation he gives, may not have the effect of diminishing the hands employed for supplying both home consumption and foreign demand. This is accomplished by preserving a plentiful subsistence in the country, and by keeping down the prices of every species of manufacture, by gradually augmenting the hands employed, in proportion to the augmentation of demand; thus his luxury will increase his numbers, without hurting his foreign trade: the great art, therefore, is to adapt administration to circumstances, and to regulate it according to invariable principles.

CHAP. XVIII. But as a statesman is not always the architect of that economy by which his people must be governed, he should know how to remove inconveniencies as well as to prevent them; because he is answerable, in a great measure, for the consequences of the faults of those who have gone before him. Thus when his predecessors have allowed the operation of natural causes to raise prices, and to destroy foreign trade, he must descend into the most minute analysis of every circumstance

relating to industry, in order to pluck up by the root the real cause of such augmentations. Mistaken remedies, applied in a disease not rightly understood, produce frequently the most fatal consequences.

If a statesman, for instance, should apply the remedy against *consolidated profits*, by multiplying the hands employed in a manufacture, at a time when high prices proceed only from the dearness of living, by this simple mistake he will ruin all: those who really gain no more than a physical-necessary, will then enter into a hurtful competition, and starve one another. But if instead of multiplying hands he augments subsistence, prices will fall; and then by keeping hands rightly proportioned to demand, they will naturally and gradually come down to the lowest standard; and exportation will go on prosperously.

I consider *consolidated profits*, and *high prices of subsistence*, as vices in a state, within the compass of a statesman's care to redress. But there is a third cause of high prices, (that is relatively high, when compared with those in other countries) which will equally ruin foreign trade, in spite of all precautions.

This happens when other nations have learned to profit of their superior natural advantages. I have shown how vices at home enable foreigners to become our rivals; but without this assistance, every nation well governed, will be able to profit of its own natural superiority, in spite of the best management on the other side. The only remedy in such a case, is, for the nation whose trade begins to

decline, in consequence of the natural superiority of other nations, to adhere closely to her *frugality*; to leave no stone unturned to inspire a luxurious taste in her rivals; and to wait with patience until the unwary beginners shall, from that cause, fall into the inconveniences of dear living, and consolidated profits. Besides this expedient, there are others which depend on a judicious application of public money: an irresistible engine in trade, capable of ruining the commerce of any other nation, (not supporting it by similar operations) and of carrying on exportation, in spite of great natural disadvantages. But these principles are reserved for the fifth book, when we come to treat of the application of taxes.

Having pointed out the methods of preserving a foreign trade already established, I next examine how those nations which have been contributing inadvertently to the exaltation of others more industrious, by carrying on with them a trade hurtful to themselves, may put a stop to the exhausting of their own treasures; may learn to supply themselves with every thing necessary; and may be taught to profit of their own natural advantages, so as to become the rivals of those who have perhaps reduced them to poverty; and even to recover, not only their former rank but to lay the foundation of a political economy capable of raising them to the level of the most flourishing states.

I conclude my chapter, by calling for the attention of my reader to the wide difference there is between *theory*, where all the vices to be corrected appear clear and uncompounded; and *practice*, where they are often difficult to be discovered, and

so complicated with one another, that it is hardly possible to apply any remedy which will not be productive of very great inconveniencies. Were the remedies for abuse as easily applied as theory seems to suggest, they would quickly be corrected every where.

Let theorists, therefore, beware of trusting to their science, when in matters of administration, they either advise those who are disposed blindly to follow them; or when they undertake to meddle in it themselves. An old practitioner feels difficulties which he cannot reduce to principles, nor render intelligible to every body; and the theorist who boldly undertakes to remedy every evil, and who foresees none on the opposite side, will most probably miscarry, and then give a very rational account for his ill success. A good theorist, therefore, may be excellent in deliberation, but without a long and confirmed practice, he will ever make a blundering statesman in practice.

CHAP. XIX. Having treated of the fundamental principles of *trade* and *industry*; having explained the doctrine of *demand* and *competition*; the theory of *prices*, with the causes of their *rise* and *fall*; the difference between *prime cost* and *profits*; the *consolidation* of these; and the effects of such *consolidation* in any branch of manufacture; I set my subject in a new light, and present it to my readers under a more extended view. Having, as I may say, studied the map of every province, we are now to look at that of the whole country. Here the principal rivers and cities are marked; but all brooks, villages, &c. are suppressed. This is no

more than a short recapitulation of what has been gone through already. Trade, considered in this view, divides itself into three districts, or into three stages of life, as it were, *infancy*, *manhood*, and *old age*.

During the *infancy* of trade, the statesman should lay the foundation of *industry*. He ought to multiply wants, encourage the supply of them; in short, pursue the principles of the first book, with this addition, that he must exclude all importation of foreign work. While luxury tends only to banish idleness, to give bread to those who are in want, and to advance dexterity, it is productive of the best effects.

When a people have fairly taken a laborious turn, when sloth is despised, and dexterity carried to perfection, then the statesman must endeavour to remove the incumbrances which must have proceeded from the execution of the first part of his plan. The scaffolding must be taken away when the fabric is completed. These incumbrances are high prices, at which he has been obliged to wink, while he was inspiring a taste for industry in the advancement of agriculture and of manufactures; but now that he intends to supply foreign markets, he must multiply hands; set them in competition; bring down the price both of subsistence and work; and when the luxury of his people render this difficult, he must attack the manners of the rich, and give a check to the domestic consumption of superfluity, in order to have the more hands for the supply of strangers.

The last stage of trade is by far the most brilliant;

when, upon the extinction of foreign trade, the wealth acquired comes to circulate at home. The variety of new principles which arise upon this revolution, makes the subject of what remains to be examined in the succeeding chapters.

CHAP. XX. Before I enter upon the principles of inland commerce, I prepare the way, by a short dissertation upon the term luxury. I endeavour to analyze the word to the bottom, to discover, and to range in order, every idea which can be conveyed by it. In this way I vindicate the definition I have given of it (which is the consumption of superfluity) and show that luxury, as I recommend it, is free from the imputation either of being vicious or abusive.

I distinguish, therefore, between *luxury*, *sensuality*, and *excess*, three terms often confounded, but conveying very different ideas. A person may consume great quantities of superfluity from a principle of ostentation, or even with a political view to encourage industry; him I call *luxurious*. *Sensuality* may be indulged in a cottage, as well as in a palace; and excess is purely relative to circumstances. *Luxury*, therefore, as well as *sensuality*, or any other passion, may be carried to *excess*, and so become vicious. Now *excess* in consumption is vicious in proportion as it affects our *moral*, *physical*, *domestic*, or *political* interests; that is to say, our *mind*, our *body*, our *private fortune*, or the *state*. When the consumption we make, does no harm in any of these respects, it may be called moderate and free from vice.

Our *moral* and *physical* interests are hurt by excess, in *eating*, *drinking*, *love*, and *ease*, or indolence;

according as these gratifications do respectively affect the *mind*, or the *body*, or both.

Our *domestic* interest frequently obliges us to call that *excess*, which nature hardly finds *sufficient*; and, on other occasions, both mind and body go to destruction, by *excesses* which have contributed to amass the greatest fortunes.

The most direct *political* inconvenience of excessive luxury, is, the loss of foreign trade. The more indirect follow as consequences of those already described; because they may render those employed in the service of the state, negligent and unfit, rapacious and corrupt, but these evils are more properly the *direct* effects of the imperfections of the mind, than consequences resulting *naturally* from excess in the consumption of superfluity. They ought, therefore, to be considered as secondary effects, since they may proceed from avarice as well as prodigality. The correcting of political vices resembles the weeding a bed of tender flowers, the roots are all blended together, and the leaves are almost alike. It is proper, therefore, to have both the discernment and dexterity of a good gardener for such an operation.

CHAP. XXI. From *luxury* I pass to the *physical-necessary*, which I define from the consumption implied by it: a man has his physical-necessary when *he is fed, clothed, and protected from harm*. But as these enjoyments, we find, do by no means satisfy his desires, I am led to establish another *necessary* which I call *political*. This I measure also by the consumption implied by it, to wit, what which is suitable to the *rank* of the person.

Rank again is determined by the *common opinion of men*, and this *opinion* is founded upon circumstances, which relate to the *birth*, *education*, or *habits* of the person. When common opinion has placed any one in a certain rank, he becomes entitled to enjoy certain articles of *physical-superfluity*, which enter into the composition of his *political-necessary*: thus, such as are raised above the level of the very lowest class of inhabitants, are entitled to have a Sunday's dress; the farmer has a better coat than a laboring servant; the priest of the parish must have a gown; the magistrate of a little town must have ruffles, perhaps silk stockings; a provost a velvet coat, and a lord mayor a state coach; these and such like articles constitute what I call the *political-necessary*.

A man's rank sometimes obliges him to certain articles of expense, which may possibly affect even his *physical-necessary*. How frequently do we see people cover their shoulders, at the expense of their belly. The competition between the desires of our *mind*, and those which proceed from our *animal economy* is so strong, that it is frequently hard to determine, whether the incapacity to supply our *physical wants*, proceeds from our having too far gratified our other desires, or from real poverty.

The lowest classes of a people, in a country of trade, must be restrained to their *physical-necessary*; but this restraint must be brought about, not by *oppression*, but by the effects of *competition* alone. While this is supported among people of the same class, it has the effect to reduce them all to the *physical-necessary*, and when it reduces them lower

it is a vice, and ought to be checked. A peculiar ingenuity in some workmen of the same class, will raise them above this level; and the more they can raise themselves above competition, the greater will their gains be. By becoming masters in any art, they share the profits of those whom they employ; and thus rise in rank and fortune, provided their frugality concur with every other natural or acquired advantage. It is therefore a principle, *to encourage competition universally, until it has had the effect to reduce people of industry to the physical-necessary, and to prevent it ever from bringing them lower*: from this results the necessity of applying every expedient for relieving certain classes of the load of their children, if you incline they should breed; and of preventing taxes and other burdens from affecting them unequally.

CHAP. XXII. I now come to treat directly of inland commerce, as taking place upon the extinction of foreign trade, when all attempts to recover it are found to be vain. In such a situation, a wealthy nation is not to consider itself as undone: an able statesman must know how to make his people happy in every situation. It is an universal principle of conduct, private and political, to look forward, and to improve the present from the experience of the past. One great inconvenience resulting from a foreign trade *already lost*, is, that there is no farther question of making any new acquisition of wealth, or of replacing one farthing of what at any time may be sent out of the country. But the greatest inconveniencies are felt in the losing such a trade: these are number-

less, when an able statesman is not at hand to prevent them.

That I may point them out in order, I make a short recapitulation of our principles: the slightest hint is sufficient to show their force; and when my reader is sensible of a repetition, which he finds superfluous, let him reflect that this very circumstance is a proof of their exactness. In this science we must use our principles as a carpenter uses his foot-rule; there is nothing new to him in this instrument; but still he must have it in his hand, to be able to know any thing, with accuracy, concerning his work.

In this chapter I throw in a short dissertation upon the difference between ancient and modern luxury. Their natures and effects are briefly insisted on. I point out the resemblance between the luxury of modern times, and that of the few great trading cities of antiquity; such as Tyre and Carthage; and I show in what respect it differed from that luxury which proved the downfall of the empires of Asia and Rome.

When empires were once formed, they were ruined by luxury and preserved by means of their wars: because these made their wealth circulate.

When the trading states took a military turn, and became ambitious of conquest, their ruin soon followed: because war destroyed the industry which made their greatness.

The cause of difference I find to proceed from this; that in the *monarchy*, the riches from which the luxury sprung was the effect of rapine; in the *other*, the effect of industry. The first gave no

equivalent for their wealth ; the others did. Where no equivalent is given in the acquisition, all proportion is lost in the dissipation. The luxury of the robbers, was monstrous and violent : that of the merchants, systematical and proportional. The luxury of the monarchies brought on neglect in public affairs : in the cities, it was this neglect which destroyed their luxury. The luxury of the monarchies had nothing to recommend it, but the gratification of the passions : the luxury of the others produced no harm, but from this very circumstance. From the contrast I have drawn, I establish the difference between ancient and modern luxury. The first was violent ; the last is systematical, and can be supported by industry and liberty only. A farther consequence is, that as rapine is incompatible with industry, so is arbitrary power : consequently, those absolute princes who establish industry in their country, in order to taste of the sweets of luxury and wealth, put insensibly a bridle in the mouths of their successors, who must, from this consideration alone, submit their government to a regular system of laws and political economy.

This is a better scheme for limiting the arbitrary power of Princes than all the rebellions that ever were contrived. Confusion establishes arbitrary power, and order destroys it.

CHAP. XXIII. When a nation, which has long dealt and enriched herself by a reciprocal commerce in manufactures with other nations, finds the balance of trade turn against her, it is her interest to put a total stop to it, and to remain as she is, rather than to persist habitually in a practice, which, by a

change of circumstances, must have effects very opposite to those advantages which it produced formerly. Such a stop may be brought about by the means of duties and prohibitions, which a statesman can lay on importations, so soon as he perceives that they begin to preponderate with respect to the *exportations* of his own country.

I illustrate this principle by an examination of those which influence the establishment of incorporated cities and boroughs. I show how these may be considered as so many states, which domestic luxury, taxes, and the high price of living, have put out of a capacity to support a competition with strangers (that is with the open country) which here represents the rest of the world. I show the reasonableness of such exclusive privileges, in favor of those who share the burdens peculiar to the community, in so far only as regards the supply of their own consumption; and I point out, by what methods any discouragements to industry may be prevented, as often as that industry has for its object the supplying the wants of those who are not included in the corporation.

From the long and constant practice of raising *taxes* within incorporated cities, I conclude, that *taxes* are a very natural consequence of luxury, and of the loss of foreign trade; and as Princes have taken the hint from the cities, to extend them universally, it is no wonder to see foreign trade put an end to, in consequence of such injudicious extensions.

CHAP. XXIV. I next proceed to the methods proper to be used, in the delicate operation of so

great a revolution as that of degrading a people from their right of being considered as a trading nation.

If a statesman keeps a watchful eye over every article of importation; and examines minutely, the use every article imported is put to; he will easily discern, when it is proper to encourage, when to restrain, and when to prohibit.

In this examination, however, every relation must be taken in: because the importation of a foreign commodity affects many different interests, some within, some without the nation; some directly, others only consequentially. Nothing is so complex as the interests of trade. The importation of a commodity may first advance the interests of those at home, who furnish the commodities exported, of which the importation is the return. The importation may be useful for the advancement of manufactures, providing it consist in matter fit for them; yet if the whole manufacture produced from it be for home-consumption, the national interest will, on the whole, be hurt by the importation. The importation of wines and brandies is a great saving upon subsistence, in northern countries, where liquors distilled from grain are made to supply the place of them. These and many other relations must be examined, before a statesman can pass sentence upon an article of importation. The inquiry made, and accounts balanced on both sides, every hurtful article of importation should be cut off; and when this is done, if the consequence should prove a general stop to exportation, then is foreign trade decently interred, without any violent revolution; because the statesman is supposed

to have proceeded gradually, and to have been all the while laboring to increase consumption at home, in proportion as the industrious have been forced to lie idle by the other operations.

When foreign trade is at an end, the number of inhabitants must be reduced to the proportion of home-subsistence, in case their former prosperity had carried them beyond it. The nation's wealth must be kept entire, and made to circulate, so as to provide subsistence and employment for every body.

CHAP. XXV. Let a nation be reduced ever so low in point of foreign commerce, she will always find a demand from abroad for the superfluities of her natural productions; which, if rightly conducted, will prove a means of advancing her national wealth.

If the exportation of subsistence should go forward, while many are found in want at home, a restraint laid upon exportation will not redress the inconvenience; because the wretched will still remain so, unless they are assisted and put in a capacity to dispute the subsistence of their own country with foreign nations. The principal cause of this phenomenon is the preponderancy of the scale of work at home. When home demand does not fill up the void, of which we have spoken, a vicious competition takes place among those who work for a physical-necessary; the price of their labor falls below the general standard of subsistence *abroad*; their portion is exported, and they are forced to starve.

A statesman, therefore, at the head of a luxurious people, must endeavour to keep his balance even; and if a subversion is necessary, it is far better it

should happen by the preponderancy of the scale of demand. Here is my reason for preferring this alternative.

All subversions are bad, and are attended with bad consequences. If the scale of work preponderates, the industrious will starve, their subsistence will be exported; the nation gains by the balance, but appears in a manner to sell her inhabitants. If the scale of demand preponderates, luxury must increase, but the poor are fed at the expense of the rich, and the national stock of wealth stands as it was. Upon the cessation, therefore, of foreign trade, you must either lose your people, or encourage luxury.

The statesman having regulated the concerns of his outward commerce, must apply more closely than ever to his domestic concerns. I reduce the principal objects of his attention to three. 1. To regulate the progress of luxury according to the hands ready to supply the demand for it. 2. To circumscribe the bounds of it, that is, the multiplication of his people, to the proportion of the extent and fertility of the soil. And in the last place, to distribute his people into classes, according as circumstances (of which he is not master) may demand.

Here I point out the reasons why the progress of luxury does less hurt to a great kingdom than to a small state. Why sumptuary laws are good in an imperial town of Germany, and why they would be hurtful in London or Paris. Why the establishment of a standing army, *in a country fully peopled and rich*, should be accompanied with endeavours to diminish luxury, in order to prevent too great a preponderancy of the scale of demand, and the

rising of prices, which would cut off the hopes of recovering a foreign trade.

Having briefly gone through the objects of the statesman's concern, I come to examine the natural consequences of this revolution upon the spirit, government, and manners of a people who from industrious and frugal are become luxurious and polite.

The traders withdraw their stocks as trade decays, and lend it out at home to landed men, who thereby are enabled to become luxurious. This indemnifies the industrious for the loss of foreign demand. When the money, formerly employed in order to gain more, begins to circulate at home, for providing superfluities, and augmenting domestic consumption, the country appears daily to be growing more opulent; tradesmen and manufacturers, who were formerly confined to a physical-necessary, are now easy in their circumstances; they increase their consumption; this accelerates circulation; an air of plenty and ease spreads over the face of the country; and the very consequences of their decline, are construed as invincible proofs of their growing prosperity.

Riches may be considered by a statesman in three different lights; as a mine when they are locked up; as an object of trade when they are employed in order to gain more; or as an object of luxury, and fund for taxation, when they are spent in the gratification of our political wants.

The general cast of mind and disposition of the inhabitants of every country (in so far as regards money)

money) may, I think, be reduced to one or other of these three modifications. It is the business of a statesman to work upon the spirit of his people, so as to model their taste of expense by insensible degrees, and to bring it to be analogous to that principle which is most conducive to national prosperity. Hoarding in private people, can hardly ever be advantageous to a state; when the state hoards, the case is very different, as shall be shown. While money is employed to gain more, it never can procure to the proprietor, either power or authority; but when, in the last case, it is employed for the gratification of our desires, in the hands of the ambitious, it acquires power; consequently, may rival that influence which no person ought to enjoy, but he who is at the head of the state. This is the mother of faction, and the root from which all hurtful parties spring. It is by such means that governments (be they good or bad) are brought into anarchy. Private wealth corrupted, and at last destroyed the excellence of the Roman commonwealth: and private wealth alone established the liberty of Holland upon the ruins of Spanish tyranny. So soon therefore as the inhabitants of a country begin to employ their riches to gratify their inclinations, at the same time should a statesman begin to make himself rich, in order to preserve that superiority which is essential to *him* who sits at the head of every principle of action. And whenever this lies beyond his reach, the power he had will soon disappear; and the government will take a new form.

A statesman acquires wealth by imposing taxes

upon his people : rapine is the tax of the despot ; capitation , land tax , and others which affect persons , are those of the monarch ; excises upon consumption are imposed by limited governments. The first lay all flat , the second affect growing wealth , the last accelerate dissipation. I conclude my chapter with some little historical illustrations concerning the power and influence of great men in a state , under different circumstances.

CHAP. XXVI. I next consider the nature of what I call the *balance of wealth*. The more circulation there is in a country , the more this object becomes important. While the greatest part of a nation's coin was locked up ; or while it circulated by rapine and extortion , the effects discovered in modern times , where it circulates by industry , and as an adequate equivalent for services , were hardly perceived.

The specie , or circulating coin of a country , must be considered as a part of the national patrimony. This is constantly changing hands in a country of industry , and he who is proprietor of any part of it , is in so far a proprietor of the public stock.

With this species of property , every other may be acquired. When it is given as the price of land , such an exchange produces no alteration in the respective situation of the parties. An estate in land is neither better or worse than another in coin of the same value. If I purchase an annuity , or pay off my debts with the coin I have in my pocket , neither I or the person with whom I transact , make any change of situation in point of wealth.

But if I lay out my coin for consumable commodities for my own use, then so soon as any part of what I buy is consumed, I become poorer: for this operation annihilates, in a manner, as to me, the coin I had. This I call a vibration in the balance of wealth; I grow poorer, and he who produced the consumable commodity for my use, is so far richer: the balance, therefore, is turned against me, in his favor.

As many people, therefore, live by producing consumable commodities, one use of coin is to render inconsumable, as it were, that part of them which is superfluous to our own consumption. By this operation the superfluity passes into other hands who consume it, and the coin which the industrious receive in return purchases a supply for all their wants, in proportion as they chuse to relieve them.

The vibration of the balance of wealth, therefore, is no more than the changes which are daily taking place, as to the relative proportion of riches between the individuals of a state: and as this vibration can only be produced when the coin any one possesses comes to disappear, without his retaining the possession of any real equivalent which he can alienate for the same value; it follows, that the balance is constantly turning in favor of those who either sell their effects, their service, or their work; and this balance they retain, in proportion as their gains exceed their own consumption. On the other hand, the balance is constantly turning against the idle consumers; because they are supposed to produce nothing; consequently, the

whole of their consumption goes in diminution of their wealth.

Hitherto the question has only been about the balance of moveable wealth, that is coin; but the introduction of this, together with a taste for superfluity, has the effect of melting down *solid property* into what I call *symbolical money*.

When once this refinement upon the use of money takes place, we see houses, lands, jurisdictions, provinces, principalities, crowns, sceptres and empires, thrown into circulation by means of the symbolical money called bank notes, transfer in bank stock, accounts, bonds, mortgages, alienations of domain, mortgage of taxes, and cessions made in definitive treaties.

As frugality and industry are in our days capable of amassing the greatest fortunes in solid property, so is dissipation, by the means of symbolical money, as certain an expedient for the annihilation of them. From this I conclude, that dissipation implies frugality, and frugality dissipation. In every country of great circulation, they balance and destroy one another; and since there is no such thing as equality of fortune to be preserved without proscribing alienation, that is circulation, the next best expedient for making people equal, I think, is to enrich them by turns.

I conclude my chapter by inquiring into the effects of national debts upon the vibration of this balance; and I conclude, from the principles laid down, that with respect to the collective interests of the state, that is, between the state itself, the creditors, and the people, there is no vibration of wealth produced by loans to the public. But that

according as the money borrowed is spent in the country or abroad, in so far the balance is either made to vibrate between individuals at home, or to turn against the state in favor of foreign nations.

CHAP. XXVII. I next endeavour to show how necessary a thing it is for a statesman to acquire a thorough knowledge of the nature and effects of circulation. By this he is able to judge, when the coin *circulating* in the country is sufficient for carrying on alienation; and when it is not, he is taught how to augment the quantity of it, either by drawing it from the repositories as oft as he finds the inhabitants disposed to lock it up; or by substituting symbolical or paper money in place of it, when the metals are really wanting.

Here I observe, that the *circulating* or *current* money of any nation is constantly in proportion to the taste of dissipation in the rich, and application to industry in the poor.

When the dissipation of the rich, tends to call off the industrious from supplying the branches of exportation, then the statesman, in place of facilitating the melting down of solid property in favor of domestic circulation, by the easy introduction of symbolical money, should render this operation more difficult, permitting the lands to be loaded by entails, substitutions, trusts, settlements, and other inventions which may hurt the credit of young people, such as retarding the term of coming to full age, and others of a like nature.

On the other hand, while lands remain ill cultivated; while the numerous classes remain idle and poor; and while much money is found locked

up, the very opposite administration is expedient: Every method then must be employed to facilitate and establish the credit of those who have solid property; such as the introduction of loans upon interest; the breaking entails upon estates; the facilitating the sale of them, in favor of the liquidation of all claims competent to the industrious, against the proprietors, even declaring the cause of creditors the favorable side in all ambiguous law-suits; and, last of all, allowing arrestment of the person for moveable debts, which is supporting the interest of creditors as far, I think, as is possible, in any free nation. Every regulation becomes, in short, expedient, which can favor the industrious, accelerate circulation, and establish a credit to every one in proportion to his worth.

The more money becomes necessary for carrying on consumption, the more it is easy to levy taxes; the use of which is to advance the public good, by drawing from the rich, a fund sufficient to employ both the *deserving*, and the *poor*, in the service of the state; or to correct the bad consequences of domestic luxury as to foreign trade, by providing a fund for the payment of bounties upon exportation.

In imposing taxes, a statesman should attend to the nature of those branches of circulation where the balance is made to vibrate, in order to distinguish them from those where no vibration is implied. When a man buys an estate, it would be absurd to make him pay a tax of *cent. per cent.* though you may safely make him pay at that rate, when he buys a pint of gin, or a pound of chocolate.

In taxes, again, upon consumption, a particular attention is to be had, not to confound those which are paid by people who consume to gratify their desires, with those which are paid by such as consume in order to produce; that is to say, those which affect the rich, with those which affect the industrious.

Farther, a statesman must see with perspicuity how far the imposition of taxes may influence the prices of exportable goods; and in so far as prices are influenced by them, they must be refunded with interest, and even when that is not sufficient to support the foreign competition, premiums or bounties are to be thrown in, at the expense of new impositions upon domestic consumption.

As all augmentations must at last come to a stop; so must these expedients for the support of foreign trade against the influence of domestic abuse; but when trade comes to a stop, taxes may be increased; because the considerations in favor of exportation are removed. The statesman then must change his plan, and make use of the power and influence he acquires by an opulent exchequer, to root out the abuses which have dried up the spring from which his country used to receive a continual augmentation of wealth.

I conclude my chapter with this reflection: That under a wise administration, every vice in a state carries a proper antidote along with it.

If luxury extinguishes foreign trade it gives birth to taxation; and money in the hands of a good statesman is an irresistible engine for correcting every abuse.

In treating of taxes, I frequently look no farther than my pen, when I raise my head and look about, I find the politics of my closet very different from those of the century in which I live. I agree that the difference is striking; but still reason is reason, and there is no impossibility in the supposition of its becoming practice.

CHAP. XXVIII. Prices imply alienation for money, and frequent and familiar alienations only can fix a standard.

The prices of articles of the first necessity regulate, in a great measure, the price of every thing else. Now the frequent and familiar alienation of such articles implies industry, and a numerous class of free hands; because these only are the buyers. No alienation is implied in the consumption of necessaries, by those whose occupation it is to produce them for themselves. Did every one, therefore, supply himself with necessaries, there would be no alienation of them; consequently, no price fixed. From hence it follows, that the price of necessaries depends on the occupations of a people, and not on the quantity of their specie.

The standard price of *subsistence* is in the compound proportion of the number of those who are obliged to buy, and of the demand found for their labor. Subsistence never can rise above the level of the faculties of the numerous classes of a people; because so soon as a price rises above the faculties of the buyer, his demand is withdrawn; and when the demand of a numerous class is withdrawn, subsistence is found in too great plenty for the rich, to bear a high price.

The more equal, therefore, the faculties of the industrious populace of any country are, the less distress will follow upon scarcity, and those only, whose means cannot reach that standard price, run any risk of starving.

The faculties, therefore, of the *physical-necessarians* (as we have taken the liberty to call them) will, in countries of industry, determine the standard value of subsistence; and the value, *in money*, which they receive for their work, will determine the standard of those faculties; consequently, the price of subsistence must rise and fall according to the number of workmen, and demand for their work: that is to say, the price of subsistence must be in the compound proportion above mentioned.

Here I am led into an examination of the opinion of Messrs. De Montesquieu and Hume, who think that the price of every thing depends upon the *quantity of specie* in the country, which they consider as the representation of *every thing vendible*; as if these two quantities, the *commodities*, and the *specie*, were divided into aliquot parts, exactly proportioned to one another. I do my endeavour to investigate the meaning of these propositions, in order to show in what respect they lead to error, in place of throwing light upon an intricate question: and then I propose another doctrine, which is, that nothing can determine the value of a vendible commodity, any where, *but the complicated operations of demand and competition*, which however frequently *influenced* by wealth, yet never can be *regulated* by it.

CHAP. XXIX. In this chapter I follow the suc-

cession of Mr. Hume's ideas, in his political discourses; and as he is led from his principles to believe, that there is no such thing as a wrong balance of trade against a nation, but on the contrary thinks that the nature of money resembles that of a fluid, which tends every where to a level: In pursuing the consequences of our former reasoning, I show, that nothing is so easy, or more common than a right or a wrong balance of trade; and I observe, that what we mean by a balance, is not the bringing the fluid to a level, but either the accumulating or raising it in some countries, by the means of national industry and frugality, which is a right balance; or the depressing it in others, by national luxury and dissipation, which is a wrong one. Thus the general doctrine of the *level* can only take place, on the supposition that all nations are equally frugal and industrious; or rather, that they have an equal mixture of these and their opposite qualities, together with a reciprocal trade entirely laid open. When the ideas of different people are fairly exposed, every question comes to be resolved without disputation: vices in reasoning seldom take place but when terms are not rightly understood.

CHAP. XXX. As the intention of this inquiry is not to treat of population, agriculture, trade, industry, &c. as particular subjects, but as objects influencing the political economy of modern states, my end is answered, so soon as I find the general principles relating to each sufficiently deduced and ranged under general heads. The use, therefore, of a chapter of miscellaneous questions and obser-

vations, is to serve as an exercise on what is gone before; to introduce, without a direct connexion, questions analogous to the subject of the book, or to give a further extension to such as I have treated, in the course of the chapters, with too much brevity.

In the first and second questions, I endeavour to show, that the quantity of coin in any country, is no sufficient rule for judging of the state of her foreign trade; because money may be acquired and expended by operations nowise mercantile. A nation may borrow from foreigners more than the amount of the balance against her: she may pay away, in subsidies, and foreign wars, sums greatly beyond the value of a right balance on her trade. She may call in her specie, and trade with it abroad, while paper is made to circulate in its place at home: or she may lock it up in banks, where it never may appear. In short, the riches of a trading nation may resemble those of a trading man; who may be immensely rich, with very little specie in his possession.

On the other hand, the riches of a prodigal nation may resemble those of a prodigal man; who may be full of money, borrowed from all hands, upon the credit of a large fund of solid property.

The third question concerns the effects of riches in those countries where trade and industry are little known. Under such circumstances, coin must be locked up, or virtue will go to wreck. Why? Because, if coin circulate where there is no industry, it must circulate for no adequate equivalent in work or service; that is, for the gratifi-

cation of the passions, or in monstrous prodigality. Experience demonstrated the truth of this principle. While the Greek Monarchs of Asia and Ægypt remained in possession of their vast treasures, virtue and simplicity stood their ground; when those riches were thrown into circulation, under the first Roman Emperors, we see the horrible consequences which ensued. What could produce such monsters, except a taste of dissipation, without rational objects to discharge their wealth upon? All the money in the universe, thrown into the hands of an extravagant modern Prince, would not affect his morals; the taste of luxury would soon discharge him of it; and the consequence would be, to enrich those who gratified his desires, and that nearly in proportion to their service. But in ancient times, the violence of government stopped the progress of industry: the consequence of which was, that the few productions of it were sold for the most exorbitant prices, and the wealth accumulated by private people commonly occasioned their destruction; because rapine was the only expedient Princes had fallen upon to draw back money into their coffers.

Comparing the ancient with our modern economy, I find both are curious and entertaining. A contrast often makes us reflect upon circumstances which otherwise might escape our observation.

In the fourth and fifth questions; I apply the principles we have laid down, in order to discover why the establishment of trade and industry has naturally given rise to an established system of taxation, and regular standing armies.

This leads me to compare circumstances relative to the economy of Europe some centuries ago, when taxes were almost unknown, with the present times, when they are becoming daily more familiar; and I show that they are, in a great part, paid in lieu of the personal service to which the subjects were formerly bound, and by the means of which states were supported; and if they are extended beyond this proportion, it is in consequence of a new circulation opened between the state and those who serve it: so that the effect of taxes, spent within a country well governed, is to draw money gratuitously from those who have a superfluity of it, in order to bestow it upon those who are willing and capable to advance the service of the state; that is, in other words, to oblige private people to lay out their money for the service of their country.

From the same principles, and from a very succinct historical deduction of the facts relating to the state of the militia of Europe, from the time of the Romans, I endeavour to show, that standing armies in our days are become necessary, while Princes have the rage of making war; because, without keeping up such bodies of men in time of peace, the call of the luxurious would provide employment for them, which they would not chuse to quit, when the will of their sovereign might command their attendance.

These questions lead me to inquire into the method of estimating the relative power of different states in making war.

Here I reduce power to the two principles of

men and money ; the men at the command of a state , are those who have a poor and precarious living , or at least a worse condition than that which the state can offer for their military service ; consequently , the more a people are usefully employed , the less they are calculated for filling armies. From hence it is that luxury is said to render a nation effeminate : a true proposition , when rightly understood , relatively to the industrious , not to the luxurious classes of the people.

The annual revenue of a state is in proportion to the circulation ; because it is at the time of circulation only that national contributions can be levied with the fewest inconveniencies. Money which does not circulate is of no use to the proprietors, and consequently can be of no utility to the state.

Credit is in proportion to the capacity of paying the interest of money borrowed.

Having abundantly insisted on the advantages of industry in providing for the poor, I now come to consider its permanent effects, after the first end has been accomplished. If a thousand pounds are bestowed upon making a fire-work , a number of people are thereby employed, and gain a temporary livelihood. If the same sum is bestowed for making a canal for watering the fields of a province, a like number of people may reap the same benefit, and hitherto accounts stand even : but the fire-work played off, what remains, but the smoke and stink of the powder ? Whereas the consequence of the canal is a perpetual fertility to a formerly barren soil. Here I enter again into an examination

and confrontation of ancient and modern economy. I show that the magnificence of the ancients had not the same tendency to destroy simplicity, as the luxury of modern times has; because they owed their magnificence to the slavery of the inferior classes of people, who got no return for their labor farther than bare subsistence. Whereas modern magnificence depends upon industry; which draws after it such a retribution in money, as soon enables those who at first contributed to the luxury of others, to call for the like services from an inferior class, who are entering on the course which the more wealthy abandon.

I conclude this chapter with an inquiry into the principles which ought to regulate the establishment of trading companies. Those principles relate to the *advantages* and *disadvantages* which severally attend them. The principal advantage in common to all, proceeds from the union of private stocks; consequently, the statesman ought to protect companies so far only as this union promotes the end for which they were instituted: but whenever he finds that the strength of united stocks is made use of to oppress the unincorporated industrious, he ought to take these under his protection, by providing an outlet for *their* industry, by which he will frustrate any attempt of turning that into a monopoly, which was intended only to extend trade and industry.

The second advantage is peculiar to such companies as trade to foreign parts under exclusive privileges. By these a state reaps the benefit of keeping prices low in foreign markets; because the

company is freed from the competition of their own countrymen. But the inconvenience resulting in consequence of this, is, that as the company *buys*, so they also *sell* without competition. The method, therefore, of preventing the bad consequence of this, is, for the state constantly to be at the great expense of every such settlement in favor of foreign trade; and to grant the exclusive privilege in favor of commerce in general, and not in the common way, as an indemnification to particular people for the expense of making the settlement, or from other political considerations. When an exclusive privilege is granted upon such principles, the state may retain a power of inspection into all their affairs, and may open the doors of the company to new subscribers, in proportion to the demand for the trade, in place of allowing the company to swell their stock with borrowed money. By such means frauds are prevented; a foundation is laid for several mercantile operations, which advance the prosperity of the state, without hurting the company; and jealousy is taken away, by preventing the too close connexion between the members of it, when few in number, from degenerating into an oppressive and scandalous monopoly.

END OF THE SECOND VOLUME.

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